

3PEAK INCORPORATED

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

3PEAK Incorporated

Financial Statements and Auditor's Report
For the Year Ended 31 December 2021
[English translation for reference only]

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3PEAK INCORPORATED

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Note	31 December 2021	31 December 2020
Current assets			
Cash at bank and on hand	4(1)	297,368,160.43	1,499,654,483.83
Financial assets held for trading	4(2)	2,366,375,879.46	958,977,928.22
Notes receivable	4(3)	938,935.08	90,000.00
Accounts receivable	4(4)	263,401,677.03	75,724,322.05
Advances to suppliers	4(5)	99,819,128.24	22,689,743.12
Other receivables	4(6)	43,636,532.06	38,500.00
Inventories	4(7)	146,419,712.58	71,069,380.92
Other current assets	4(8)	3,815,682.98	947,205.34
Total current assets		<u>3,221,775,707.86</u>	<u>2,629,191,563.48</u>
Non-current assets			
Long-term receivables	4(9)	4,098,350.45	1,582,415.75
Long-term equity investments	4(10)	35,158,674.83	-
Investments in other equity instruments	4(11)	13,515,904.37	-
Fixed assets	4(12)	40,532,911.62	19,437,047.17
Construction in progress	4(13)	16,665,774.82	-
Right-of-use assets	4(14)	13,030,120.54	-
Intangible assets	4(15)	16,348,215.54	4,699,942.97
Long-term prepaid expenses	4(16)	2,865,214.30	1,123,870.59
Deferred tax assets	4(17)	1,959,673.96	3,432,118.59
Other non-current assets	4(18)	75,974,187.51	4,766,901.75
Total non-current assets		<u>220,149,027.94</u>	<u>35,042,296.82</u>
TOTAL ASSETS		<u>3,441,924,735.80</u>	<u>2,664,233,860.30</u>

3PEAK INCORPORATED

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS OF 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2021	31 December 2020
Current liabilities			
Accounts payable	4(20)	94,501,055.89	28,410,751.56
Contract liabilities	4(21)	1,738,369.92	923,868.19
Employee benefits payable	4(22)	52,618,195.91	27,964,840.77
Taxes payable	4(23)	66,192,913.96	13,857,350.07
Other payables	4(24)	14,079,999.52	2,879,294.33
Non-current liabilities to be settled within one year	4(25)	11,249,702.40	2,534,683.67
Other current liabilities	4(26)	10,738,550.41	4,530,115.71
Total current liabilities		251,118,788.01	81,100,904.30
Non-current liabilities			
Lease liabilities	4(27)	6,795,874.88	-
Long-term payables	4(28)	2,732,198.60	2,417,327.55
Provisions	4(29)	2,109,456.01	2,050,349.89
Deferred income	4(30)	3,311,480.77	4,908,122.66
Deferred tax liabilities	4(17)	204,292.28	-
Total non-current liabilities		15,153,302.54	9,375,800.10
Total liabilities		266,272,090.55	90,476,704.40
Shareholders' equity			
Share capital	4(31)	80,235,848.00	80,000,000.00
Capital surplus	4(32)	2,404,941,288.99	2,231,628,935.82
Other comprehensive income	4(33)	1,902,034.50	130,311.45
Surplus reserve	4(34)	40,117,924.00	26,731,566.25
Undistributed profits	4(35)	648,455,549.76	235,266,342.38
Total shareholders' equity		3,175,652,645.25	2,573,757,155.90
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,441,924,735.80	2,664,233,860.30

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of the accounting department:
ZHIXU ZHOU	XIAO WEN	XIAO WEN

3PEAK INCORPORATED

COMPANY BALANCE SHEET

AS OF 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note	31 December 2021	31 December 2020
Current assets			
Cash at bank and on hand		191,521,100.79	1,391,340,857.07
Financial assets held for trading		2,181,497,547.95	950,967,328.77
Notes receivable		938,935.08	90,000.00
Accounts receivable	12(1)	332,615,959.85	217,585,603.82
Advances to suppliers		87,126,812.54	4,170,619.15
Other receivables	12(2)	43,367,932.06	35,000.00
Inventories		140,322,850.51	46,711,417.93
Other current assets		3,815,293.55	946,006.75
Total current assets		<u>2,981,206,432.33</u>	<u>2,611,846,833.49</u>
Non-current assets			
Long-term receivables		3,789,663.56	1,547,815.75
Long-term equity investments	12(3)	374,022,621.08	23,667,030.88
Investments in other equity instruments		13,515,904.37	-
Fixed assets		40,404,853.69	19,263,199.59
Construction in progress		14,778,982.37	-
Right-of-use assets		10,447,127.21	-
Intangible assets		13,442,993.66	4,699,942.97
Long-term prepaid expenses		1,774,942.32	1,123,870.59
Deferred tax assets		-	747,267.19
Other non-current assets		75,828,905.22	4,766,901.75
Total non-current assets		<u>548,005,993.48</u>	<u>55,816,028.72</u>
TOTAL ASSETS		<u>3,529,212,425.81</u>	<u>2,667,662,862.21</u>

3PEAK INCORPORATED

COMPANY BALANCE SHEET (CONTINUED)

AS OF 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2021	31 December 2020
Current liabilities			
Accounts payable		115,043,516.10	33,500,605.10
Contract liabilities		1,738,369.92	923,868.19
Employee benefits payable		23,163,577.35	23,686,335.30
Taxes payable		59,461,598.70	12,385,964.71
Other payables	12(4)	55,466,022.42	2,563,349.80
Non-current liabilities to be settled within one year		8,905,644.33	2,534,683.67
Other current liabilities		9,765,394.89	3,552,835.63
Total current liabilities		273,544,123.71	79,147,642.40
Non-current liabilities			
Lease liabilities		5,250,585.59	-
Long-term payables		1,637,581.02	2,417,327.55
Provisions		163,144.96	95,789.72
Deferred income		3,311,480.77	4,908,122.66
Deferred tax liabilities		204,292.28	-
Total non-current liabilities		10,567,084.62	7,421,239.93
Total liabilities		284,111,208.33	86,568,882.33
Shareholders' equity			
Share capital		80,235,848.00	80,000,000.00
Capital surplus		2,404,941,288.99	2,231,628,935.82
Other comprehensive income		1,838,630.53	-
Surplus reserve		40,117,924.00	26,731,566.25
Undistributed profits		717,967,525.96	242,733,477.81
Total shareholders' equity		3,245,101,217.48	2,581,093,979.88
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,529,212,425.81	2,667,662,862.21

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of the accounting department:
ZHIXU ZHOU	XIAO WEN	XIAO WEN

3PEAK INCORPORATED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2021	2020
Revenue	4(36)	1,325,948,910.93	566,488,517.74
Less: Cost of sales	4(36), 4(42)	(523,361,202.69)	(219,642,381.40)
Taxes and surcharges	4(37)	(10,245,022.05)	(4,048,399.79)
Selling and distribution expenses	4(38), 4(42)	(56,524,605.04)	(23,234,430.75)
General and administrative expenses	4(39), 4(42)	(65,043,215.59)	(33,917,774.20)
Research and development expenses	4(40), 4(42)	(300,969,068.30)	(122,542,092.02)
Financial income	4(41)	3,238,748.87	786,060.05
Including: Interest expenses		(584,399.48)	(257,892.71)
Interest income		4,309,417.08	1,488,157.13
Add: Other income	4(43)	14,651,248.49	1,613,145.40
Investment income	4(44)	59,009,776.65	14,043,037.18
Including: Investment losses from joint ventures		(767,991.84)	-
Gains arising from changes in fair value	4(45)	1,397,951.24	977,928.22
Credit impairment gains	4(46)	11,150.03	166,235.26
Asset impairment (losses)/gains	4(47)	(2,563,651.14)	331,343.58
Operating profit		445,551,021.40	181,021,189.27
Less: Non-operating expenses	4(48)	(465,966.02)	(49.44)
Total profit		445,085,055.38	181,021,139.83
Add: Income tax (expenses)/income	4(49)	(1,549,490.25)	2,770,996.07
Net profit		443,535,565.13	183,792,135.90
Classified by continuity of operations			
Net profit from continuing operations		443,535,565.13	183,792,135.90
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Minority interests		-	-
Attributable to shareholders of the Company		443,535,565.13	183,792,135.90
Other comprehensive income/(losses), net of tax	4(33)	1,771,723.05	(205,557.58)
Attributable to shareholders of the Company			
Other comprehensive income items which will not be reclassified to profit or loss			
Changes in fair value of investments in other equity instruments		1,838,630.53	-
Other comprehensive loss items which will be reclassified to profit or loss			
Differences on translation of foreign currency financial statements		(66,907.48)	(205,557.58)
Attributable to minority interests		-	-
Total comprehensive income		445,307,288.18	183,586,578.32
Attributable to shareholders of the Company		445,307,288.18	183,586,578.32
Attributable to minority interests		-	-
Earnings per share			
Basic earnings per share (RMB)	4(50)	5.54	2.83
Diluted earnings per share (RMB)	4(50)	5.53	2.83

The accompanying notes form an integral part of these financial statements.

Legal representative: ZHIXU ZHOU Principal in charge of accounting: XIAO WEN Head of the accounting department: XIAO WEN

3PEAK INCORPORATED

COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2021	2020
Revenue	12(5)	1,324,902,091.66	561,858,900.98
Less: Cost of sales	12(5)	(524,505,891.47)	(220,292,912.14)
Taxes and surcharges		(9,893,075.36)	(4,006,357.55)
Selling and distribution expenses		(45,288,191.04)	(21,944,494.50)
General and administrative expenses		(54,455,645.99)	(31,048,164.40)
Research and development expenses		(259,323,744.60)	(117,553,704.18)
Financial income		3,675,158.36	2,524,810.43
Including: Interest expenses		(462,802.64)	(257,892.71)
Interest income		3,816,673.00	1,335,352.83
Add: Other income		14,637,962.93	1,393,572.21
Investment income		58,662,030.17	13,813,492.86
Gains arising from changes in fair value		530,219.18	967,328.77
Credit impairment gains		11,665.67	108,408.12
Asset impairment (losses)/gains		(2,559,010.85)	215,855.68
Operating profit		506,393,568.66	186,036,736.28
Less: Non-operating expenses		(65,895.57)	-
Total profit		506,327,673.09	186,036,736.28
Add: Income tax (expenses)/income		(747,267.19)	1,607,740.08
Net profit		505,580,405.90	187,644,476.36
Other comprehensive income, net of tax		1,838,630.53	-
Total comprehensive income		507,419,036.43	187,644,476.36

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of the accounting department:
ZHIXU ZHOU	XIAO WEN	XIAO WEN

3PEAK INCORPORATED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2021	2020
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		1,308,148,291.40	624,129,518.58
Refund of taxes and surcharges		-	19,933,088.91
Cash received relating to other operating activities	4(51)(a)	33,462,039.02	8,488,103.31
Sub-total of cash inflows		<u>1,341,610,330.42</u>	<u>652,550,710.80</u>
Cash paid for goods and services		(809,222,493.08)	(314,940,120.15)
Cash paid to and on behalf of employees		(177,896,535.76)	(86,810,405.16)
Payments of taxes and surcharges		(85,460,767.07)	(5,231,511.46)
Cash paid relating to other operating activities	4(51)(b)	(27,289,516.88)	(19,168,729.97)
Sub-total of cash outflows		<u>(1,099,869,312.79)</u>	<u>(426,150,766.74)</u>
Net cash flows from operating activities	4(52)(a)	<u>241,741,017.63</u>	<u>226,399,944.06</u>
Cash flows from investing activities			
Cash received from disposals of investments		8,115,500,000.00	2,298,000,000.00
Cash received from returns on investments		59,777,768.49	14,043,037.18
Net cash received from disposals of fixed assets		-	1,645.57
Sub-total of cash inflows		<u>8,175,277,768.49</u>	<u>2,312,044,682.75</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(53,008,137.52)	(24,752,589.26)
Cash paid to acquire investments		(9,532,972,981.56)	(3,256,000,000.00)
Net cash paid to acquire other business units		(35,926,666.67)	-
Sub-total of cash outflows		<u>(9,621,907,785.75)</u>	<u>(3,280,752,589.26)</u>
Net cash flows used in investing activities		<u>(1,446,630,017.26)</u>	<u>(968,707,906.51)</u>
Cash flows from financing activities			
Cash received from capital contributions		-	2,152,298,568.00
Cash received relating to other financing activities	4(51)(c)	30,374,392.52	-
Sub-total of cash inflows		<u>30,374,392.52</u>	<u>2,152,298,568.00</u>
Cash payments for distribution of dividends		(16,960,000.00)	-
Cash paid relating to other financing activities	4(51)(d)	(9,881,713.89)	(13,547,618.59)
Sub-total of cash outflows		<u>(26,841,713.89)</u>	<u>(13,547,618.59)</u>
Net cash flows from financing activities		<u>3,532,678.63</u>	<u>2,138,750,949.41</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>(536,098.29)</u>	<u>(695,035.75)</u>
Net (decrease)/increase in cash and cash equivalents	4(52)(c)	<u>(1,201,892,419.29)</u>	<u>1,395,747,951.21</u>
Add: Cash and cash equivalents at the beginning of the year		<u>1,499,260,579.72</u>	<u>103,512,628.51</u>
Cash and cash equivalents at the end of the year	4(52)(d)	<u>297,368,160.43</u>	<u>1,499,260,579.72</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: ZHIXU ZHOU Principal in charge of accounting: XIAO WEN Head of the accounting department: XIAO WEN

3PEAK INCORPORATED

COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	2021	2020
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	1,366,397,055.71	509,835,725.42
Refund of taxes and surcharges	-	19,933,088.91
Cash received relating to other operating activities	32,905,520.25	8,145,953.16
Sub-total of cash inflows	1,399,302,575.96	537,914,767.49
Cash paid for goods and services	(817,466,048.47)	(294,455,071.22)
Cash paid to and on behalf of employees	(131,324,658.84)	(78,977,559.71)
Payments of taxes and surcharges	(83,790,746.05)	(5,216,319.62)
Cash paid relating to other operating activities	(28,554,372.98)	(25,178,967.74)
Sub-total of cash outflows	(1,061,135,826.34)	(403,827,918.29)
Net cash flows from operating activities	338,166,749.62	134,086,849.20
Cash flows from investing activities		
Cash received from disposals of investments	7,956,000,000.00	2,250,000,000.00
Cash received from returns on investments	58,662,030.17	13,813,492.86
Net cash received from disposals of fixed assets	-	1,645.57
Sub-total of cash inflows	8,014,662,030.17	2,263,815,138.43
Cash paid to acquire fixed assets and intangible assets	(48,798,156.20)	(24,596,324.66)
Cash paid to acquire investments	(9,197,472,981.56)	(3,200,000,000.00)
Net cash paid to establish the subsidiary	(310,000,000.00)	(10,000,000.00)
Sub-total of cash outflows	(9,556,271,137.76)	(3,234,596,324.66)
Net cash flows used in investing activities	(1,541,609,107.59)	(970,781,186.23)
Cash flows from financing activities		
Cash received from capital contributions	-	2,152,298,568.00
Cash received relating to other financing activities	30,374,392.52	-
Sub-total of cash inflows	30,374,392.52	2,152,298,568.00
Cash payments for distribution of dividends	(16,960,000.00)	-
Cash paid relating to other financing activities	(9,078,263.20)	(13,547,618.59)
Sub-total of cash outflows	(26,038,263.20)	(13,547,618.59)
Net cash flows from financing activities	4,336,129.32	2,138,750,949.41
Effect of foreign exchange rate changes on cash and cash equivalents	(319,623.52)	(221,488.21)
Net (decrease)/increase in cash and cash equivalents	(1,199,425,852.17)	1,301,835,124.17
Add: Cash and cash equivalents at the beginning of the year	1,390,946,952.96	89,111,828.79
Cash and cash equivalents at the end of the year	191,521,100.79	1,390,946,952.96

The accompanying notes form an integral part of these financial statements.

Legal representative: ZHIXU ZHOU Principal in charge of accounting: XIAO WEN Head of the accounting department: XIAO WEN

3PEAK INCORPORATED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Attributable to shareholders of the Company					Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	
Balance at 1 January 2020		60,000,000.00	80,441,621.30	335,869.03	7,967,118.61	70,238,654.12	218,983,263.06
Movements for the year ended 31 December 2020							
Total comprehensive income							
Net profit	4(35)	-	-	-	-	183,792,135.90	183,792,135.90
Other comprehensive loss	4(33)	-	-	(205,557.58)	-	-	(205,557.58)
Total comprehensive income for the year		-	-	(205,557.58)	-	183,792,135.90	183,586,578.32
Capital contribution and withdrawal by shareholders							
Ordinary shares contributed by shareholders	1, 4(32)	20,000,000.00	2,125,746,574.65	-	-	-	2,145,746,574.65
Share-based payment included in shareholders' equity	4(32)	-	25,440,739.87	-	-	-	25,440,739.87
Profit distribution							
Appropriation to surplus reserve	4(34)	-	-	-	18,764,447.64	(18,764,447.64)	-
Balance at 31 December 2020		80,000,000.00	2,231,628,935.82	130,311.45	26,731,566.25	235,266,342.38	2,573,757,155.90

3PEAK INCORPORATED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Attributable to shareholders of the Company					Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	
Balance at 1 January 2021		80,000,000.00	2,231,628,935.82	130,311.45	26,731,566.25	235,266,342.38	2,573,757,155.90
Movements for the year ended 31 December 2021							
Total comprehensive income							
Net profit	4(35)	-	-	-	-	443,535,565.13	443,535,565.13
Other comprehensive income	4(33)	-	-	1,771,723.05	-	-	1,771,723.05
Total comprehensive income for the year		-	-	1,771,723.05	-	443,535,565.13	445,307,288.18
Capital contribution and withdrawal by shareholders							
Ordinary shares contributed by shareholders	1, 4(31)	235,848.00	30,138,544.52	-	-	-	30,374,392.52
Share-based payment included in shareholders' equity	4(32)	-	143,173,808.65	-	-	-	143,173,808.65
Profit distribution							
Appropriation to surplus reserve	4(34)	-	-	-	13,386,357.75	(13,386,357.75)	-
Distribution to shareholders	4(35)	-	-	-	-	(16,960,000.00)	(16,960,000.00)
Balance at 31 December 2021		80,235,848.00	2,404,941,288.99	1,902,034.50	40,117,924.00	648,455,549.76	3,175,652,645.25

The accompanying notes form an integral part of these financial statements.

Legal representative: ZHIXU ZHOU

Principal in charge of accounting: XIAO WEN

Head of accounting department: XIAO WEN

3PEAK INCORPORATED

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Share capital	Capital surplus	ier comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2020	60,000,000.00	80,244,913.35	-	7,967,118.61	73,853,449.09	222,065,481.05
Movements for the year ended 31 December 2020						
Total comprehensive income						
Net profit	-	-	-	-	187,644,476.36	187,644,476.36
Capital contribution and withdrawal by shareholders						
Ordinary shares contributed by shareholders	20,000,000.00	2,125,746,574.65	-	-	-	2,145,746,574.65
Share-based payment included in shareholders' equity	-	25,637,447.82	-	-	-	25,637,447.82
Profit distribution						
Appropriation to surplus reserve	-	-	-	18,764,447.64	(18,764,447.64)	-
Balance at 31 December 2020	80,000,000.00	2,231,628,935.82	-	26,731,566.25	242,733,477.81	2,581,093,979.88

3PEAK INCORPORATED

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2021	80,000,000.00	2,231,628,935.82	-	26,731,566.25	242,733,477.81	2,581,093,979.88
Movements for the year ended 31 December 2021						
Total comprehensive income						
Net profit	-	-	-	-	505,580,405.90	505,580,405.90
Other comprehensive income	-	-	1,838,630.53	-	-	1,838,630.53
Total comprehensive income for the year	-	-	1,838,630.53	-	505,580,405.90	507,419,036.43
Capital contribution and withdrawal by shareholders						
Ordinary shares contributed by shareholders	235,848.00	30,138,544.52	-	-	-	30,374,392.52
Share-based payment included in shareholders' equity	-	143,173,808.65	-	-	-	143,173,808.65
Profit distribution						
Appropriation to surplus reserve	-	-	-	13,386,357.75	(13,386,357.75)	-
Distribution to shareholders	-	-	-	-	(16,960,000.00)	(16,960,000.00)
Balance at 31 December 2021	80,235,848.00	2,404,941,288.99	1,838,630.53	40,117,924.00	717,967,525.96	3,245,101,217.48

The accompanying notes form an integral part of these financial statements.

Legal representative: ZHIXU ZHOU

Principal in charge of accounting: XIAO WEN

Head of accounting department: XIAO WEN

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

1 General information

3PEAK Incorporated (“the Company”) was formerly known as 3PEAK Microelectronics Technology (Suzhou) Co., Ltd. (“the former Company”). The former Company was a sino-foreign limited liability company incorporated in Suzhou City, Jiangsu Province of the People’s Republic of China on 23 April 2012 by ZHIXU ZHOU, ZHI MOU, FENG YING and Suzhou Angu Venture Capital Co., Ltd. (“Angu Venture Capital”).

On 11 December 2015, the Board of Directors of the former Company passed a resolution where all directors unanimously agreed to convert the former Company into a joint stock limited company after its registration for establishment, with 31 October 2015 as the base date. On 26 January 2016, the Company obtained the renewed business license with the unified social credit code of 91320000593916443C. After the change, all shareholders’ equity held by shareholders of the former Company as of 31 October 2015 was converted into promotor shares based on their shareholding ratio as of 31 October 2015. The shareholding of promoters was the same as that they had held in the former Company.

According to the *Approval on the Registration of the Initial Public Offering of Shares by 3PEAK Incorporated* (Zheng Jian Xu Ke [2020] No. 1824) made by China Securities Regulatory Commission (CSRC) on 18 August 2020, the Company initially issued 20,000,000 RMB-denominated ordinary shares (A shares) to domestic investors, which were listed and traded on the Shanghai Stock Exchange on 21 September 2020.

In accordance with the relevant provisions of the Company’s 2020 Restricted Share Incentive Plan, the vesting conditions for the first vesting period of the first group of incentive recipients were satisfied on 15 December 2021, with a total number of 235,848 vested shares and a total equity incentive contribution of RMB 30,374,392.52. The capital was in place on 15 December 2021 and was verified by BDO China Shu Lun Pan Certified Public Accountants LLP, which issued the capital verification report of Xin Kuai Shi Bao Zi [2021] No. ZA15950. As of 31 December 2021, the total share capital of the Company was RMB 80,235,848.00, with par value of RMB 1.00 per share (Note 4(31)).

The principal operating activities of the Company and its subsidiaries (together “the Group”) include the research and development, design and production of various integrated circuits and their application systems and software, the sales of the Company’s products and the provision of related after-sales services.

For the major subsidiaries included in the consolidation scope during the reporting period, see Note 5.

These financial statements were authorised for issue by the Board of Directors on 11 March 2022.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates

The Group determines the specific accounting policies and estimates based on the production and operating characteristics, primarily comprising the measurement of expected credit losses ("ECL") of receivables (Note 2(9)), fair value assessment of investments in other equity instruments (Note 2(9)), valuation method of inventories (Note 2(10)), depreciation of fixed assets and amortisation of intangible assets, long-term prepaid expenses and right-of-use assets (Note 2(12), (14), (15), (23)), provisions (Note 2(19)), revenue recognition (Note 2(20)) and share-based payment (Note 2(24)).

Key judgements, critical accounting estimates and key assumptions used by the Group in determining significant accounting policies are detailed in Note 2(26).

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Rules on Financial Reporting* issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2021 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Group's and the Company's financial position as of 31 December 2021 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The recording currency of 3PEAK (HONGKONG) LIMITED and ANIMATO (HONGKONG) LIMITED is USD, and the remaining subsidiaries' recording currency is RMB. The financial statements are presented in RMB.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(5) Business combinations

(a) Business combinations involving entities under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the combined party is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid, and net assets obtained by the combining party are measured based on the carrying amounts of the combined party's assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving entities not under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profit realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(6) Preparation of consolidated financial statements (Continued)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit or loss attributable to minority interests and total comprehensive income attributable to minority interests and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the balance of minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction in the financial statements at the Group level is inconsistent with that at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the spot exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from foreign currency translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings made specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(8) Foreign currency translation (Continued)

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

At initial recognition, the financial assets are measured at fair value. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products (which have not contained or considered any significant financing components) are initially recognised at the consideration that is entitled to be received by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three categories:

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification and measurement (Continued)

Debt instruments (Continued)

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest rate method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables and long-term receivables. Debt investments and long-term receivables that are due within one year (inclusive) as from the balance sheet date are presented as non-current assets to be recovered within one year. Debt investments with maturities of no more than one year (inclusive) at the time of acquisition are presented as other current assets.

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets for both collection of the contractual cash flows and selling such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest rate method which are recognised in profit or loss for the current period. Such financial assets mainly include financing receivables and other debt investments. The Group's other debt investments that are due within one year (inclusive) as from the balance sheet date are presented as non-current assets to be recovered within one year. Other debt investments with maturities of no more than one year (inclusive) at the time of acquisition are presented as other current assets.

Measured at fair value through profit or loss:

Debt instruments held by the Group that do not meet the criteria for amortised cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce any accounting mismatch. Financial assets that are due over one year as from the balance sheet date and are expected to be held over one year are presented as other non-current financial assets. Others are presented as financial assets held for trading.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading. Investments in equity instruments expected to be held over one year as from the balance sheet date are presented as other non-current financial assets.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification and measurement (Continued)

Equity instruments (Continued)

In addition, at initial recognition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under investments in other equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

The Group recognises loss provision on the basis of the ECL for financial assets at amortised cost, investments in debt instruments at fair value through other comprehensive income and financial guarantee contracts.

Giving consideration to reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the balance sheet date, weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be collected.

At each balance sheet date, the ECL of financial instruments at different stages is measured, respectively. A 12-month ECL is recognised for financial instruments in Stage 1 which have not had a significant increase in credit risk since initial recognition; a lifetime ECL is recognised for financial instruments in Stage 2 which have had a significant increase in credit risk since initial recognition but are not deemed to be credit-impaired; and a lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired.

For those financial instruments with a low credit risk as of the balance sheet date, the Group assumes that there is no significant increase in credit risk since initial recognition. The Group treats them as financial instruments in Stage 1 and recognises a 12-month ECL.

For those financial instruments in Stages 1 and 2, the interest income is calculated by applying the effective interest rate to the gross carrying amount (before net of any ECL provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of ECL provision).

For notes receivable and accounts receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether a significant financing component exists.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment (Continued)

In cases where the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group categorises the receivables into different groups based on their shared risk characteristics and calculates the ECL for each group respectively. The basis for the determination of group and the method of provision are as follows:

Group 1	Group of related parties within the Group	Receivables between related parties within the Group
Group 2	Group of deposits	Receivables with low credit risk, including bank acceptance notes, reserves, deposits and export tax refund receivable.
Group 3	Ageing group	Receivables except for those mentioned above

For accounts receivable and notes receivable arising from the sales of goods in the ordinary course of operating activities which are categorised into different groups for collective assessment, the Group calculates the ECL with reference to historical credit loss experience, current conditions, and forecasts of future economic conditions, and based on the exposure at default and the lifetime ECL rates.

For other receivables that are categorised into different groups, the Group calculates the ECL with reference to historical credit loss experience, current conditions, and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rates.

The Group recognises the provision or reversal for losses in profit or loss for the current period. For debt instruments classified as of fair value through other comprehensive income, the Group recognises the impairment loss or gain in profit or loss and at the same time adjusts other comprehensive income.

(iii) Derecognition

A financial asset is derecognised when one of the following criteria is met: (i) the contractual rights to receive cash flows from the financial asset have expired, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred to the transferee and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When an investment in equity instrument measured at fair value through other comprehensive income is derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in retained earnings. For other financial assets when they are derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in profit or loss for the current period.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including accounts payable and other payables. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities with maturity of less than one year (inclusive) are presented as current liabilities, and those with maturity of longer than one year but due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities to be settled within one year. Others are presented as non-current liabilities.

When the underlying present obligation of a financial liability is fully or partly discharged, the portion of the financial liability which corresponds to the discharged present obligation is derecognised. The difference between the carrying amount of the derecognised portion of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

(d) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In the valuation, the Group adopts the valuation technique which is applicable to the current situation and supportable by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered by market participants in relevant transactions of assets or liabilities, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(10) Inventories

(a) Classification

Inventories include raw materials, materials under consigned processing and goods in stock, and are measured at the lower of cost and net realisable value.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(10) Inventories (Continued)

(b) Valuation method for inventory delivered

Inventories are recorded at their cost on acquisition. Cost is determined using the weighted average method at the end of each month. The costs of inventories and materials under consigned processing include the cost of raw materials and consignment processing fee. The production and processing phases are mainly conducted by external professional suppliers.

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

Provision for decline in the value of inventories is determined as the excess amount of the carrying amount of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion, the estimated selling and distribution expenses and related taxes.

(d) The Group adopts the perpetual inventory system as its stock-taking policy.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in subsidiaries and joint ventures.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances.

Investments in subsidiaries are presented in the Company's financial statements using the cost method and are adjusted by using the equity method when preparing the consolidated financial statements. Investments in joint ventures are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(11) Long-term equity investments (Continued)

(b) Subsequent measurement and recognition of related profit and loss

Long-term equity investments accounted for using the cost method, are measured at the initial investment costs. Cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income or losses according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control, joint control and significant influence over investees

Control is the power over investees that can bring variable returns through involvement in related activities of investees and the ability to influence the returns by using such power over investees.

Joint control is the contractually agreed sharing of control over an arrangement, and the activities related to such arrangement can be decided only with the unanimous consent of the Group and other parties sharing control.

Significant influence is the power to participate in making the decisions on financial and operating policies of the investee but is not control or joint control together with other parties over making those policies.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and joint ventures is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(16)).

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise computers and electronic equipment and office furniture.

Fixed assets shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets purchased or constructed by the Company are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets, net of their estimated net residual values, over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Computers and electronic equipment	3 to 5 years	0%	20% to 33%
Office furniture	3 years	0%	33%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed and adjusted as appropriate at each year-end.

(c) The carrying amount of the fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(16)).

(d) Disposals of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(13) Construction in progress

Construction in progress is measured at actual cost as incurred. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for its intended use. Construction in progress is transferred to fixed assets when the asset is ready for its intended use, and depreciation is charged starting from the month following the transfer. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(16)).

(14) Intangible assets

Intangible assets are purchased software and are measured at cost.

(a) Purchased software are measured at its initial acquisition cost and are amortised on the straight-line basis over the estimated useful life of 2 to 3 years.

(b) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end and its useful life and amortisation method are adjusted as appropriate.

(c) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the planned investigation, evaluation, and selection for research on analogue chip manufacturing techniques is expenditure on the research phase, which is recognised in profit or loss in the period in which it is incurred. Expenditure on design and test for the final application of analogue chip manufacturing techniques before mass production is expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- The development of analogue chip manufacturing techniques has been fully demonstrated by the technical team.
- Management has approved the budget for the development of analogue chip manufacturing techniques.
- The research and analysis of preliminary market survey indicate that products manufactured with analogue chip manufacturing techniques are marketable.
- Adequate technical and financial supports are available for development of analogue chip manufacturing techniques and subsequent mass production; and
- Expenditure on development of analogue chip manufacturing techniques can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(14) Intangible assets (Continued)

(d) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(16)).

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual costs less accumulated amortisation.

(16) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries and joint ventures are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for asset impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less the cost of disposal and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of an asset group to which the asset belongs is determined. An asset group is the smallest group of asset groups that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in any subsequent periods.

(17) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship and which include short-term employee benefits, post-employment benefits and termination benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages and salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds and short-term paid absences. The short-term employee benefits actually incurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(17) Employee benefits (Continued)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which are under the defined contribution plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period or the cost of relevant assets.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

The termination benefits expected to be settled within one year since the balance sheet date are presented as employee benefits payable.

(18) Dividend distribution

Proposed cash dividends are recognised as liabilities in the period in which the dividends are approved by the shareholders' meeting.

(19) Provisions

Provisions arising from returns and exchanges due to product warranties are recognised when the Company has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(19) Provisions (Continued)

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties, and the time value of money, are taken into account as a whole in determining the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the carrying amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(20) Revenue

The Group recognises revenue at the amount of the consideration which the Group expects to be entitled to receive when the customer obtains control over relevant goods or services.

The Group manufactures and sells analogue chips to customers in different regions. Revenue is recognised when the Group has delivered analogue chips to the location specified in the sales contract and the customer has confirmed the acceptance of the analogue chips, and the delivery note is signed by both parties. The credit term provided by the Group to the customers is generally 90 days, which is consistent with industry practice and there is no significant financing component. The Group provides warranties for its analogue chips and recognises provisions for the warranties.

Customers are entitled to return rights within the warranty period after purchasing analogue chips. Based on the historical experience and data of the sales of analogue chips, the Group determines the estimated sales return amount using the expected value method and reduces the sales revenue by the estimated sales return amount. The Group recognises the amount expected to be refunded due to sales return as refund payable under provisions and other current liabilities. Meanwhile, the carrying amount of the returned products at the time of sales, net of the estimated costs for recovering the product, is recognised as right to returned goods and presented as an Other Current Asset.

(21) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return and financial subsidy.

Government grants are recognised when the grants can be received, and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of obtaining long-term assets through purchase, construction, or other means. Government grants related to income refer to those which are not related to assets.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(21) Government grants (Continued)

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a reasonable and systemic basis over the useful lives of the assets.

Government grants related to income which is to compensate the incurred expenses or losses are directly recognised in profit or loss for the current period.

The Group applies the presentation method consistently to the same types of government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit and are otherwise recorded in non-operating income or expenses.

(22) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for a temporary difference arising from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised, or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses, and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and joint ventures, except where the Group is able to control the timing of reversal of the temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and liabilities are related to the same taxpayer within the Group and the same taxation authority; and,
- that taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(23) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the lease commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option or termination penalty if the lessee is reasonably certain to exercise that option. Variable lease payments which are determined in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities to be settled within one year.

The Group's right-of-use assets comprise leased buildings. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life and otherwise, depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of a low value individual asset (when new), the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

The Group accounts for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification and remeasures the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the rent concessions as a direct result of COVID-19 and for the period ended 30 June 2022 only, the Group applies the practical expedient and records the undiscounted concessions in profit or loss when the agreement is reached to discharge the original payment obligation with corresponding adjustment of lease liabilities.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(24) Share-based payment

(a) Classification of share-based payments

Equity-settled share-based payment

The Group's equity incentive plan is an equity-settled share-based payment transaction in exchange for employee services and is measured at the fair value of the equity instruments at the grant date. Where the equity-settled share-based payments in exchange for employee services are not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in relevant cost or expenses and in capital surplus at the fair value of the equity instruments at the grant date based on the best estimates of the quantity of exercisable equity instruments made by the Group, in accordance with latest changes in the number of exercisable employees, the specified performance conditions and other subsequent information. Where subsequent information shows that the quantity of exercisable equity instrument is different from the previous estimate, adjustment will be carried out accordingly, and the quantity will be adjusted against the quantity of actually exercisable equity instrument on the exercisable date.

Where the equity-settled share-based payments cannot be exercised in the end, the Group's cost or expenses shall not be recognised unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

(b) The method of determining the fair value of equity instruments

As the Group's ordinary shares were not traded in any public stock exchange market prior to the listing, for the equity incentive plans for restricted shares granted in 2015 and 2017, the Group determined the value of the shares granted under the equity incentive plans by taking into consideration the unit price of the capital increase by third-party investors, the unit price of the share transfer and the unit price evaluated by third-party institutions in the past year, which are the basis for determining the fair value. An option pricing model was used to determine the fair value of the restricted shares for the equity incentive plans with Type II restricted shares granted in 2020 and 2021.

(c) Basis of determining the best estimate of exercisable equity instruments

As of each balance sheet date in the vesting period, the Group would make best estimate in accordance with the newly acquired information such as changes in the number of exercisable equity instruments, and amend the number of exercisable equity instruments. At the exercisable date, the ultimate estimated number of exercisable equity instruments coincides with the actual number.

(d) Amendments to terms and conditions

If the Group modifies terms and conditions of the equity-settled share-based payments in an unfavourable manner to employees, the Group shall continue to account for the services obtained as if the changes never happen, unless the Group cancels all or part of equity instruments granted.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(24) Share-based payments (Continued)

(d) Amendments to terms and conditions (Continued)

If the Group modifies terms and conditions of equity-settled share-based payments in a favourable manner to the employees, the Group shall recognise fair value of the equity instruments increased into service additions accordingly. If the modification results in a shorter vesting period, the Group recognises the related costs and expenses over the shortened vesting period.

(e) Cancellation

If the Group cancels the equity instruments granted during the vesting period (except for the equity instruments that cannot be exercised), such instruments cancelled shall be treated as an acceleration of vesting, and the amount that should have been recognised within the remaining vesting period shall be immediately included in profit or loss for the period and capital surplus shall be recognised at the same time.

(25) Segment information

The Group identifies operating segments based on its internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about allocation of resources to the segment and to assess the component's performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

The Group analyses and assesses its businesses as an operating segment based on its internal organisation structure, management requirements and internal reporting system.

(26) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the relevant circumstances.

(a) Critical judgements in applying the accounting policies

(i) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include analysis on business models and contractual cash flow characteristics.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(26) Critical accounting estimates and judgements (Continued)

(a) Critical judgements in applying the accounting policies (Continued)

(i) Classification of financial assets (Continued)

The Group determines the business model for financial asset management at the level of different groups of financial assets, and factors to be considered include the methods of evaluation on financial asset performance and reporting of financial asset performance to key management personnel, risks affecting financial asset performance and the way in which those risks are managed, and how managers of the business are compensated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, the key judgements made by the Group include: the possibility of any changes on the timing or amount of the principal over the life of the financial assets may be resulted from such reasons like early repayment, and whether interests solely comprise of time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the repayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, as well as the reasonable compensation for the early termination of the contract.

(ii) Criteria for significant increase in credit risk and credit-impaired

The Group determines the significant increase in credit risk mainly based on the criteria such as whether the number of overdue days exceeds 30 days or any significant changes in one or more of the followings: the deteriorations in the business environment, internal and external credit rating, actual or expected operating results of the debtor, the significant decline in the value of collaterals or credit rating of guarantor which affects the probability of default, etc.

The Group determines the occurrence of credit impaired mainly based on the criteria such as whether the number of overdue days exceeds 90 days (i.e., a default has occurred) or whether one or more of the following conditions exist: the debtor is suffering from significant financial difficulties, the debtor is undergoing a debt restructuring, or it is probable that the debtor will be bankrupted, etc.

(iii) Timing of revenue recognition

Revenue from sales to distributors is recognised when the Group delivers products to the location specified in the contract, the distributors have confirmed the acceptance of the products, and the delivery note is signed by both parties. Thereafter, the distributors have the right to sell products and the discretion in pricing and bear the risks of any price fluctuation or loss of the products. The Group believes that the distributors have obtained the control over products after accepting the products and signing the delivery note. Therefore, revenue from sales of products is recognised when the delivery note is signed by both parties.

(iv) Sales with product warranties

The Group provides warranties for products for a period not exceeding four years, and the periods and terms of such warranties are specified according to the industry practices. The Group does not provide any additional services or warranties, and thus such warranties do not constitute separate performance obligations.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(26) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Measurement of ECL

The Group calculates ECL based on the exposure at default and the ECL rates. The determination of the ECL rates is based on the probability of default and the loss given default. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, and adjusts the historical data based on current conditions and forward-looking information.

When considering forward-looking information, the Group takes different economic scenarios into consideration. In 2021, the weights of the “benchmark”, “unfavourable” and “favourable” economic scenarios accounted for 50%, 25% and 25 % respectively. The Group regularly monitors and reviews the assumptions and parameters related to the calculation of ECL, including the risk of economic downturn, external market environment, technological environment, changes in customer conditions, Gross Domestic Product (“GDP”) and Producer Price Index (“PPI”). In 2021, the Group considered the uncertainty caused by COVID-19 and updated the relevant assumptions and parameters. The key macroeconomic parameters used in each scenario are listed below:

	Economic scenario		
	Benchmark	Unfavourable	Favourable
GDP	5.20%	3.00%	6.60%
PPI	4.00%	1.00%	7.97%

(ii) Estimates on sales return

According to the contractual agreement, distributors have the right to return products within a certain period of time after purchasing the Group's products. The Group determines the sales return ratio in accordance with the contractual agreement. The Group believes that it is highly probable that a significant reversal in the revenue recognised after deducting the amount of sales return will not occur upon the expiry of the sales return period. Therefore, the Group recognises sales revenue for the current period at the sales return ratio agreed in the contractual agreement.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(26) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(iii) Income taxes and deferred income taxes

The Group calculates enterprise income tax according to current tax laws and regulations with reference to applicable requirements on income tax and tax preference. The Group is subject to the enterprise income tax in several regions, and there are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income tax in each of these jurisdictions. The Group should estimate if extra taxes should be paid for differences that might arise between estimates and final outcomes and estimate if income tax liabilities should be recognised accordingly. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which the tax determination is made.

Upon the recognition of deferred tax assets, the Group considers the probability of reversal of deductible temporary differences and deductible losses. Deferred tax assets are recognised when the Group expects the deductible temporary differences and deductible losses could be reversed by taxable income through continuous operations in the foreseeable future.

The Group has made provisions of current income taxes and deferred income taxes according to current tax laws as well as optimal estimates and assumptions. In case of changes in tax laws or related situations, the Group will make appropriate adjustments to current and deferred income taxes.

(iv) Provision for decline in the value of inventories

Provision for decline in the value of inventories is determined as the excess amount of the carrying amount of the inventories over their net realisable value. When calculating the net realisable value, the Group determines the estimated market price of the products based on available market information or sales orders that have been entered into and determines the estimated costs to be incurred for inventories that require processing to completion, and the estimated selling and distribution expenses and related taxes for the sales of relevant products based on past experience and data.

(v) Share-based payment

At each balance sheet date, for equity instruments fulfilled service conditions within the vesting period, the Group makes best estimate on the number of exercisable equity instruments and best judgement in certain specific situations, based on the latest changes in the number of exercisable employees and subsequent information.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(26) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(v) Share-based payments (Continued)

For the equity incentive plans with restricted shares granted in 2015 and 2017, management took the value of capital increase from third-party investors and the value of share transfers in the past years as the basis for fair value recognition and engaged a third-party valuation institution to assist it in assessing the fair value of such shares on the grant date, including selecting the appropriate valuation model and the key parameters of the valuation (such as future cash flows and discount rate); For the equity incentive plans with Type II restricted shares granted in 2020 and 2021, management engaged a third-party valuation institution to assist it in assessing and determining the fair value of the restricted shares on the grant date using an option pricing model, including the selection of an appropriate valuation key parameters (such as risk-free interest rate, volatility and the expected dividend pay-out ratio).

When calculating the expenses related to the share-based payment, management needs to recognise the related share-based payment expenses in instalments based on the vesting period of the incentive recipients and the estimate of the number of exercisable rights.

(vi) Warranties

The provisions for product warranties are calculated based on an estimate of the cost of providing product warranties. Factors affecting product warranties include the number of products applicable to the warranties and historical and estimated product quality return rates. The Group continuously evaluates such estimates and revises them based on actual circumstances.

(vii) Fair value of financial instruments

The Group evaluates the fair value of investments in other equity instruments at the balance sheet date in accordance with the accounting policies stated in Note 2(9)(c). In evaluation, the Group makes reference to the latest financing information of the invested company, compares the difference in value between the latest equity and the Group's equity, and engages a third-party valuation institution to assess the fair value of the investment in other equity instruments by using the data and information available under the current circumstances.

(27) Significant changes in accounting policies

The Ministry of Finance released the revised *CAS No. 21 - Leases* (hereinafter "new lease standards") in 2018, and *Circular on Adjusting the Application Scope of the Provisions on the Accounting Treatment Regarding COVID-19-Related Rent Concessions* (Cai Kuai [2021] No. 9), *Circular on Issuing Interpretation No. 14 of Accounting Standards for Business Enterprises* (Cai Kuai [2021] No. 1) and *Q&A on Implementation of Accounting Standards for Business Enterprises* in 2021. The financial statements for the year ended 31 December 2021 have been prepared by the Group in accordance with the above standards, circulars, and Q&A. The impacts on the financial statements of the Group and the Company are as follows:

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2 Summary of significant accounting policies and accounting estimates (Continued)

(27) Significant changes in accounting policies (Continued)

(a) Leases

The Group and the Company initially adopted the new lease standard on 1 January 2021. According to new lease standard, the Group and the Company choose not to reassess the contracts that have already existed prior to the date of initial application. The Group and the Company recognised the cumulative effect of the standard as an adjustment to the opening balance of retained earnings in 2021 and relevant line items in the financial statements. The comparatives for the year ended 31 December 2020 were not restated.

(i)	The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected 1 January 2021	
			The Group	The Company
	For the operating lease contracts that have already existed prior to the initial application of the new lease standard, the Group and the Company adopt different transition approaches based on the remaining lease term:	Right-of-use assets	1,879,641.63	1,879,641.63
		Lease liabilities	(968,683.83)	(968,683.83)
		Non-current liabilities to be settled within one year	(910,957.80)	(910,957.80)
	If the remaining lease term is more than 12 months, the Group and the Company recognised lease liabilities based on the remaining lease payments and the incremental borrowing rate as of 1 January 2021, assuming that the new lease standard was adopted from the beginning date of the lease term and determined the carrying amount of the right-of-use assets based on the incremental borrowing rate as of 1 January 2021. The Group and the Company adopt the practical expedient to evaluate whether assets are impaired or not at the date of initial application. The adoption of the practical expedient has no significant impact on the financial statements since there are no onerous contracts for leases at the date of initial application.			
	The Group and the Company apply the practical expedient for leases with a remaining lease term of 12 months or less, under which the right-of-use assets and lease liabilities are not recognised. There is no significant impact on the financial statements.			
	The Group and the Company apply the practical expedient for operating lease contracts of low-value assets existing prior to the initial application of the new lease standard, under which the right-of-use assets and lease liabilities are not recognised. There is no significant impact on the financial statements.			
	In applying the new lease standard, except for prepaid rentals and lease deposit expenditures relating to the short-term leases and low-value asset leases which are still recorded in cash outflows from operating activities using practical expedient according to the new lease standard, other prepaid rentals and lease deposit expenditures are recorded in cash outflows from financing activities.			
	For the rent concessions as a result of COVID-19, agreed with lessors and for the period ended 30 June 2022 only, the Group and the Company have applied the practical expedient in the above circular for the preparation of the financial statements for the year ended 31 December 2021, and there is no significant impact on the financial statements.			

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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2 Summary of significant accounting policies and accounting estimates (Continued)

(27) Significant changes in accounting policies (Continued)

(a) Leases (Continued)

As of 1 January 2021, the Group and the Company adopted the same discount rate for lease contracts with similar characteristics to account for lease liabilities. The weighted average of incremental borrowing rates adopted was 4.75%.

(ii) As of 1 January 2021, the Group and the Company reconciled the outstanding minimum operating lease payments disclosed under the old lease standard to lease liabilities under the new lease standard as follows:

	The Group	The Company
Future minimum operating lease payments disclosed as of 31 December 2020	9,405,171.66	9,405,171.66
Present value of the above minimum operating lease payments discounted using the incremental borrowing rate	9,285,910.47	9,285,910.47
Less: Present value of payments for leases with a term of 12 months or less	(7,406,268.84)	(7,406,268.84)
Lease liabilities recognised as of 1 January 2021 (including non-current liabilities to be settled within one year) (Note 2(27)(a)(i))	<u>1,879,641.63</u>	<u>1,879,641.63</u>

3 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax (a)	0%, 10%, 16.5% and 25%	Taxable income
Value-added tax ("VAT") (b)	6% and 13%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)
City maintenance and construction tax (c)	1%, 5% and 7%	The payment amount of turnover tax
Educational surcharge	3%	The payment amount of turnover tax
Local educational surcharge	2%	The payment amount of turnover tax

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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3 Taxation (Continued)

(a) Enterprise income tax

The Company is a sino-foreign investment company established in Suzhou, Jiangsu province of the PRC. The applicable enterprise income tax rate is 25%. Pursuant to the relevant provisions of the *Notice of the State Council on Issuing Certain Policies for Promoting the High-quality Development of the Integrated Circuit Industry and the Software Industry in the New Period* (Guofa [2020] No. 8) and the *Announcement on Enterprise Income Tax Policies for Promoting the High-quality Development of the Integrated Circuit Industry and the Software Industry* (Announcement of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Industry and Information Technology [2020] No. 45). In 2021, the Company became a key integrated circuit design enterprise encouraged by the state and was exempted from the enterprise income tax for the five years following the first profit-making year, and was subject to the reduced rate of 10% in the subsequent years. In 2019, the Company had made up for the accumulated tax losses and began to make profits, and the Company was entitled to the aforesaid preferential enterprise income tax policies. Therefore, the Company was exempt from enterprise income tax from 2019 to 2023.

The Company's subsidiary 3PEAK (Chengdu) LIMITED is a limited liability company incorporated in Chengdu, the PRC. The applicable enterprise income tax rate is 25%.

The Company's subsidiaries, 3PEAK Semiconductor (Shanghai) LIMITED and 3PEAK (Shanghai) LIMITED are limited liability companies incorporated in Shanghai, the PRC. The applicable enterprise income tax rate is 25%.

The Company's subsidiary 3PEAK (Beijing) LIMITED is a limited liability company incorporated in Beijing, the PRC. The applicable enterprise income tax rate is 25%.

The Company's subsidiary 3PEAK (Hangzhou) LIMITED is a limited liability company incorporated in Hangzhou, the PRC. The applicable enterprise income tax rate is 25%.

The Company's subsidiaries, 3PEAK (HONGKONG) LIMITED and ANIMATO (HONGKONG) LIMITED, are limited liability companies incorporated in Hong Kong, the PRC. Pursuant to the *2018 Tax Regulations (Amendment) (No. 3)* issued by the Government of Hong Kong on 29 March 2018, income taxes of these subsidiaries are subject to a two-tier tax rate since 1 April 2018, with 8.25% applicable to the profits of the taxable entity below or equal to HKD 2 million and 16.5% applicable to the portion of profits above HKD 2 million.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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3 Taxation (Continued)

(b) VAT

The sales of products of the Company and its domestic subsidiaries is subject to VAT. Pursuant to the *Announcement on Relevant Policies for Deepening the Value-added Tax Reform* (Cai Shui Haiguan [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the VAT rate applicable to the Company and its domestic subsidiaries' revenue from sales of goods is 13% from 1 April 2019.

The applicable VAT rate for the revenue from services rendered by the Company's domestic subsidiaries to related parties within the Group is 6%.

The VAT rate applicable to gains arising from the Group's structured deposits is 6%.

(c) City maintenance and construction tax

The Company and its domestic subsidiaries are subject to the city maintenance and construction tax based on a certain percentage of the VAT paid. The city maintenance and construction tax rate applicable to the Company's subsidiary 3PEAK (Shanghai) LIMITED is 5%, and the city maintenance and construction tax rate applicable to the Company's subsidiary 3PEAK Semiconductor (Shanghai) LIMITED is 5% as from 1 September 2021, and 1% before 1 September 2021. The city maintenance and construction tax rate applicable to the Company and the remaining domestic subsidiaries is 7%.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2021	31 December 2020
Cash at bank	297,368,160.43	1,499,260,579.72
Interest receivable	-	393,904.11
	<u>297,368,160.43</u>	<u>1,499,654,483.83</u>
Including: Overseas deposits	<u>34,893,319.05</u>	<u>93,977,181.48</u>

3PEAK INCORPORATED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]**4 Notes to the consolidated financial statements (Continued)****(2) Financial assets held for trading**

	31 December 2021	31 December 2020
Structured deposits	<u>2,366,375,879.46</u>	<u>958,977,928.22</u>

(3) Notes receivable

	31 December 2021	31 December 2020
Bank acceptance notes	938,935.08	90,000.00
Less: Provision for bad debts	<u>-</u>	<u>-</u>
	<u>938,935.08</u>	<u>90,000.00</u>

- (a) As of 31 December 2021 and 31 December 2020, the Company had no notes receivable pledged, endorsed or discounted.

(b) Provision for bad debts

For notes receivable collected from ordinary operating activities such as sales of goods, the Group recognises provision for the lifetime ECL regardless of whether there is any significant financing component.

(4) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	263,421,430.83	75,755,225.88
Less: Provision for bad debts	<u>(19,753.80)</u>	<u>(30,903.83)</u>
	<u>263,401,677.03</u>	<u>75,724,322.05</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable (Continued)

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2021	31 December 2020
Within 1 year	<u>263,421,430.83</u>	<u>75,755,225.88</u>

(b) As of 31 December 2021, the accounts receivable from the top five debtors in respect of outstanding balance are analysed as below:

	Balance	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	<u>223,152,739.13</u>	<u>(16,696.52)</u>	<u>84.71%</u>

(c) Provision for bad debts

For accounts receivable, the Group recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

	31 December 2021	31 December 2020
Provision for bad debts of accounts receivable	<u>19,753.80</u>	<u>30,903.83</u>

(i) As of 31 December 2021 and 31 December 2020, the Group had no accounts receivable with amounts that were individually significant and that the related provision for bad debts was provided on an individual basis.

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

	31 December 2021		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Provision for bad debts on a collective basis			
Ageing group			
- Not overdue	263,409,814.79	0.01%	19,685.72
- Overdue within 1 year	<u>11,616.04</u>	0.59%	<u>68.08</u>
	<u>263,421,430.83</u>		<u>19,753.80</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable (Continued)

(c) Provision for bad debts (Continued)

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows (Continued):

	31 December 2020		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Provision for bad debts on a collective basis			
Ageing group			
- Not overdue	75,321,435.94	0.03%	25,826.52
- Overdue within 1 year	433,789.94	1.17%	5,077.31
	<u>75,755,225.88</u>		<u>30,903.83</u>

In 2021, the provisions for bad debts accrued and reversed were RMB 61,336.55 and RMB 72,486.58 respectively.

(d) In 2021 and 2020, the Group had no provision for bad debts written-off.

(5) Advances to suppliers

(a) The ageing of advances to suppliers is analysed as follows:

	31 December 2021		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<u>99,819,128.24</u>	<u>100.00%</u>	<u>22,689,743.12</u>	<u>100.00%</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(5) Advances to suppliers (Continued)

- (b) As of 31 December 2021, the top five advances to suppliers in respect of outstanding balance of the Group are analysed as follows:

	Amount	% of total balance
Total amount of the five largest advances to suppliers	<u>97,726,548.26</u>	<u>97.90%</u>

(6) Other receivables

	31 December 2021	31 December 2020
Individual income tax for stock option exercising	41,366,439.10	-
Deposits and guarantees	2,270,092.96	20,000.00
Petty cash for employees	-	18,500.00
	<u>43,636,532.06</u>	<u>38,500.00</u>
Less: Provision for bad debts	-	-
	<u>43,636,532.06</u>	<u>38,500.00</u>

- (a) The ageing of other receivables is analysed as follows:

	31 December 2021	31 December 2020
Within 6 months	43,212,890.06	20,000.00
6 months to 1 year	423,642.00	-
1 to 2 years	-	13,500.00
2 to 3 years	-	5,000.00
	<u>43,636,532.06</u>	<u>38,500.00</u>

- (b) Movements in loss provision and their gross carrying amounts

	Stage 1	
	12-month ECL (group)	
	Gross carrying amount	Provision for bad debts
31 December 2020	38,500.00	-
Amounts increased in the current year	43,636,532.06	-
Amounts decreased in the current year	(38,500.00)	-
31 December 2021	<u>43,636,532.06</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(6) Other receivables (Continued)

(b) Movements in loss provision and their gross carrying amounts (Continued)

(i) As of 31 December 2021, the Group measured bad debts based on the lifetime ECL. The Group believes that its other receivables are not exposed to significant credit risk and the probability of default is very low.

(c) As of 31 December 2021, other receivables from top five debtors in respect of outstanding balance are analysed as follows:

	Balance	% of total balance	Provision for bad debts
Total amount of the five largest other receivables	19,813,323.16	45.41%	-

(7) Inventories

(a) The Group's inventory is classified as follows:

31 December 2021			
	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount
Raw materials	14,840,856.29	(86,772.25)	14,754,084.04
Materials under consigned processing	97,456,981.89	(1,823,351.90)	95,633,629.99
Goods in stock	38,525,864.45	(2,493,865.90)	36,031,998.55
	<u>150,823,702.63</u>	<u>(4,403,990.05)</u>	<u>146,419,712.58</u>
31 December 2020			
	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount
Raw materials	16,233,420.99	-	16,233,420.99
Materials under consigned processing	46,420,100.50	(1,603,408.61)	44,816,691.89
Goods in stock	11,939,415.43	(1,920,147.39)	10,019,268.04
	<u>74,592,936.92</u>	<u>(3,523,556.00)</u>	<u>71,069,380.92</u>

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4 Notes to the consolidated financial statements (Continued)

(7) Inventories (Continued)

(b) Provision for decline in the value of inventories is analysed as follows:

	31 December 2020	Increase for the current period	Write-off in the current period	31 December 2021
Raw materials	-	171,193.76	(84,421.51)	86,772.25
Materials under consigned processing	1,603,408.61	958,181.83	(738,238.54)	1,823,351.90
Goods in stock	1,920,147.39	1,434,275.55	(860,557.04)	2,493,865.90
	<u>3,523,556.00</u>	<u>2,563,651.14</u>	<u>(1,683,217.09)</u>	<u>4,403,990.05</u>

(8) Other current assets

	31 December 2021	31 December 2020
Right to returned goods	3,130,049.82	715,220.73
Input VAT to be verified	<u>685,633.16</u>	<u>231,984.61</u>
	<u>3,815,682.98</u>	<u>947,205.34</u>

(9) Long-term receivables

	31 December 2021	31 December 2020
Deposits and guarantees	<u>4,098,350.45</u>	<u>1,582,415.75</u>

(10) Long-term equity investments

	31 December 2021	31 December 2020
Joint ventures	35,158,674.83	-
Less: Provision for impairment of long-term equity investments	<u>-</u>	<u>-</u>
	<u>35,158,674.83</u>	<u>-</u>

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4 Notes to the consolidated financial statements (Continued)

(10) Long-term equity investments (Continued)

	Movements in the current year				
	31 December 2020	Increase in investment	Share of net profit/(loss) under equity method	31 December 2021	Ending balance of provision for impairment
Shanghai Xinchengyang Technology Co., Ltd.	-	3,500,000.00	24,755.22	3,524,755.22	-
Suzhou Xinyang Venture Capital Centre (Limited Partnership).	-	32,426,666.67	(792,747.06)	31,633,919.61	-
	-	35,926,666.67	(767,991.84)	35,158,674.83	

Please refer to Note 5(2) for related information of interest in joint ventures.

(11) Investments in other equity instruments

	31 December 2021	31 December 2020
Investments in equity instrument not held for trading		
Equity of unlisted companies		
- Beijing Shimo Microelectronics Co., Ltd. (i)	8,446,921.09	-
- Giga Force Electronics Co., Ltd. (ii)	5,068,983.28	-
	<u>13,515,904.37</u>	<u>-</u>
	31 December 2021	31 December 2020
Beijing Shimo Microelectronics Co., Ltd.		
- Costs	7,500,000.00	-
- Accumulated changes in fair value	946,921.09	-
	<u>8,446,921.09</u>	<u>-</u>
Giga Force Electronics Co., Ltd.		
- Costs	3,972,981.56	-
- Accumulated changes in fair value	1,096,001.72	-
	<u>5,068,983.28</u>	<u>-</u>

- (i) The Group's voting rights to Beijing Shimo Microelectronics Co., Ltd. ("Beijing Shimo Microelectronics") is 4.68%, which does not have a significant impact. Therefore, Beijing Shimo Microelectronics is accounted for as an investment in other equity instruments.
- (ii) The Group's voting rights to Giga Force Electronics Co., Ltd. ("Giga Force") is 0.88%, which does not have a significant impact. Therefore, Giga Force is accounted for as an investment in other equity instruments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(12) Fixed assets

	Computers and electronic equipment	Office furniture	Total
Cost			
31 December 2020	26,895,864.93	796,678.14	27,692,543.07
Purchase in the current year	30,181,517.90	379,925.65	30,561,443.55
Transfer from construction in progress in the current year	3,949,926.37	-	3,949,926.37
Disposals in the current year	(42,433.50)	-	(42,433.50)
31 December 2021	60,984,875.70	1,176,603.79	62,161,479.49
Accumulated depreciation			
31 December 2020	(7,800,967.21)	(454,528.69)	(8,255,495.90)
Increase in the current year	(13,171,638.26)	(243,867.21)	(13,415,505.47)
Disposals in the current year	42,433.50	-	42,433.50
31 December 2021	(20,930,171.97)	(698,395.90)	(21,628,567.87)
Carrying amount			
31 December 2021	40,054,703.73	478,207.89	40,532,911.62
31 December 2020	19,094,897.72	342,149.45	19,437,047.17

In 2021, the amounts of depreciation expenses charged to selling and distribution expenses, general and administrative expenses, research and development expenses and production overhead were RMB 48,268.25, RMB 645,447.52, RMB 9,404,111.91 and RMB 3,317,677.79 (2020: RMB 52,388.74, RMB 342,582.45, RMB 4,429,579.09 and RMB 589,657.32) respectively.

(13) Construction in progress

	31 December 2020	Increase in the current year	Transfer to fixed assets in the current year	31 December 2021
Electronic equipment	-	18,728,908.74	(3,949,926.37)	14,778,982.37
Others	-	1,886,792.45	-	1,886,792.45
	-	20,615,701.19	(3,949,926.37)	16,665,774.82

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(14) Right-of-use assets

	Buildings
Cost	
31 December 2020	-
Changes in accounting policies	1,879,641.63
1 January 2021	1,879,641.63
New lease contracts in the current year	13,972,763.77
31 December 2021	15,852,405.40
Accumulated depreciation	
31 December 2020	-
Changes in accounting policies	-
1 January 2021	-
Increase in the current year	(2,822,284.86)
31 December 2021	(2,822,284.86)
Carrying amount	
31 December 2021	13,030,120.54
31 December 2020	-

(15) Intangible assets

	Purchased software
Cost	
31 December 2020	7,994,867.70
Purchase in the current year	15,866,828.99
31 December 2021	23,861,696.69
Accumulated amortisation	
31 December 2020	(3,294,924.73)
Increase in the current year	(4,218,556.42)
31 December 2021	(7,513,481.15)
Carrying amount	
31 December 2021	16,348,215.54
31 December 2020	4,699,942.97

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(15) Intangible assets (Continued)

In 2021, the amortisation of intangible assets charged to general and administrative expenses and research and development expenses were RMB 196,187.60 and RMB 4,022,368.82 (2020: RMB 155,774.98 and RMB 2,397,556.70) respectively.

(16) Long-term prepaid expenses

	Improvements to right-of-use assets
31 December 2020	1,123,870.59
Increase in the current year	3,032,756.73
Amortisation charged in the current year	(1,291,413.02)
31 December 2021	<u>2,865,214.30</u>

(17) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2021		31 December 2020	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Accumulated losses	5,441,769.77	1,360,442.45	8,712,773.03	2,178,193.25
Provisions	2,109,456.01	321,141.32	2,050,349.89	334,476.15
Other current liabilities	10,671,996.27	160,570.66	4,530,115.71	605,355.66
Employee benefits payable	1,366,910.30	110,803.31	559,872.28	82,734.37
Lease liabilities	137,323.56	7,385.58	-	-
Provision for asset impairment	4,423,743.85	129.27	3,554,459.83	444,327.71
	<u>24,151,199.76</u>	<u>1,960,472.59</u>	<u>19,407,570.74</u>	<u>3,645,087.14</u>
Expected to be recovered within one year (inclusive)	16,462,650.42	271,503.24	8,644,447.82	1,132,417.74
Expected to be recovered after one year	7,688,549.34	1,688,969.35	10,763,122.92	2,512,669.40
	<u>24,151,199.76</u>	<u>1,960,472.59</u>	<u>19,407,570.74</u>	<u>3,645,087.14</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(17) Deferred tax assets and deferred tax liabilities (Continued)

(b) Deferred tax liabilities before offsetting

	31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of other equity instruments	2,042,922.81	204,292.28	-	-
Changes in fair value of the financial assets at fair value through profit or loss	1,500,742.47	798.63	977,928.22	123,565.96
Right to returned goods	3,130,049.82	-	715,220.73	89,402.59
	<u>6,673,715.10</u>	<u>205,090.91</u>	<u>1,693,148.95</u>	<u>212,968.55</u>
Expected to be recovered within one year (inclusive)	4,630,792.29	798.63	1,693,148.95	212,968.55
Expected to be recovered after one year	2,042,922.81	204,292.28	-	-
	<u>6,673,715.10</u>	<u>205,090.91</u>	<u>1,693,148.95</u>	<u>212,968.55</u>

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets

	31 December 2021	31 December 2020
Deductible losses	40,358,563.56	-
Deductible temporary differences	<u>617,754.26</u>	<u>-</u>
	<u>40,976,317.82</u>	<u>-</u>

(d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	31 December 2021	31 December 2020
2026	<u>40,358,563.56</u>	<u>-</u>

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2021		31 December 2020	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	798.63	1,959,673.96	212,968.55	3,432,118.59
Deferred tax liabilities	(798.63)	204,292.28	(212,968.55)	-

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4 Notes to the consolidated financial statements (Continued)

(18) Other non-current assets

	31 December 2021	31 December 2020
Advances for purchase of raw materials	65,784,813.32	-
Advances for consigned processing	6,895,210.16	-
Advances for right-of-use assets	2,532,622.91	-
Advances for hardware and others	761,541.12	4,766,901.75
	<u>75,974,187.51</u>	<u>4,766,901.75</u>

(19) Provision for asset impairment and losses

	31 December 2020	Increase in the current year	Decrease in the current year		31 December 2021
			Reversal	Write-off	
Provision for bad debts of accounts receivable	30,903.83	61,336.55	(72,486.58)	-	19,753.80
Including: Provision for bad debts on a collective basis	30,903.83	61,336.55	(72,486.58)	-	19,753.80
Provision for decline in the value of inventories	3,523,556.00	3,154,524.91	(590,873.77)	(1,683,217.09)	4,403,990.05
	<u>3,554,459.83</u>	<u>3,215,861.46</u>	<u>(663,360.35)</u>	<u>(1,683,217.09)</u>	<u>4,423,743.85</u>

(20) Accounts payable

	31 December 2021	31 December 2020
Consigned processing charges payable	70,354,581.89	22,881,305.87
Payables for purchase of raw materials	24,146,474.00	5,529,445.69
	<u>94,501,055.89</u>	<u>28,410,751.56</u>

As of 31 December 2021 and 31 December 2020, the ageing of the Group's accounts payable was within one year.

(21) Contract liabilities

	31 December 2021	31 December 2020
Advances for sales of products	<u>1,738,369.92</u>	<u>923,868.19</u>

The contract liabilities of RMB 923,868.19 included in carrying amount as of 31 December 2020 were realised as revenue in 2021 (2020: RMB 328,289.96).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(22) Employee benefits payable

	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	51,334,279.99	27,941,987.56
Defined contribution plans payable (b)	1,283,915.92	22,853.21
	<u>52,618,195.91</u>	<u>27,964,840.77</u>

(a) Short-term employee benefits

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Wages and salaries, bonus, allowances and subsidies	26,764,527.82	160,336,543.89	(139,307,840.90)	47,793,230.81
Staff welfare	-	14,049,303.21	(14,049,303.21)	-
Social security contributions	345,116.23	7,842,200.26	(7,368,931.85)	818,384.64
Including: Medical insurance	342,107.12	7,554,363.08	(7,098,733.80)	797,736.40
Work injury insurance	394.49	146,371.87	(131,106.95)	15,659.41
Maternity insurance	2,614.62	141,465.31	(139,091.10)	4,988.83
Housing funds	272,471.23	6,854,524.20	(6,496,140.60)	630,854.83
Short-term paid absences	559,872.28	1,531,937.43	-	2,091,809.71
	<u>27,941,987.56</u>	<u>190,614,508.99</u>	<u>(167,222,216.56)</u>	<u>51,334,279.99</u>

(b) Defined contribution plans

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Basic pensions	21,764.96	12,573,622.91	(11,349,809.28)	1,245,578.59
Unemployment insurance	1,088.25	394,416.74	(357,167.66)	38,337.33
	<u>22,853.21</u>	<u>12,968,039.65</u>	<u>(11,706,976.94)</u>	<u>1,283,915.92</u>

(23) Taxes payable

	31 December 2021	31 December 2020
Individual income tax ("IIT") payable	60,691,547.08	6,310,077.93
VAT payable	4,372,009.00	6,110,409.51
City maintenance and construction tax payable	399,487.79	378,834.55
Enterprise income tax payable	319,915.28	236,526.53
Stamp tax payable	117,543.37	550,727.60
Others	292,411.44	270,773.95
	<u>66,192,913.96</u>	<u>13,857,350.07</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(24) Other payables

	31 December 2021	31 December 2020
Payables for purchase of hardware and software	10,300,283.83	34,200.00
Professional service fees payable	2,573,273.03	1,758,831.30
Daily operating expenses payable	1,132,851.69	1,039,856.08
Payables for improvements to right-of-use assets	73,590.97	46,406.95
	<u>14,079,999.52</u>	<u>2,879,294.33</u>

As of 31 December 2021 and 31 December 2020, the ageing of the Group's other payables was within 1 year.

(25) Non-current liabilities to be settled within one year

	31 December 2021	31 December 2020
Lease liabilities to be settled within one year (Note 4(27))	5,850,178.72	-
Long-term payables to be settled within one year (Note 4(28))	5,399,523.68	2,534,683.67
	<u>11,249,702.40</u>	<u>2,534,683.67</u>

(26) Other current liabilities

	31 December 2021	31 December 2020
Refund payables for goods returned	8,092,362.98	1,615,994.90
Product warranties	2,579,633.29	2,914,120.81
Others	66,554.14	-
	<u>10,738,550.41</u>	<u>4,530,115.71</u>

(27) Lease liabilities

	31 December 2021	31 December 2020
Lease liabilities	12,646,053.60	-
Less: Non-current liabilities to be settled within one year (Note 4(25))	(5,850,178.72)	-
	<u>6,795,874.88</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(27) Lease liabilities (Continued)

(a) As of 31 December 2021, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprised the following:

(i) As of 31 December 2021, payments for leases not yet commenced to which the Group was committed amounted to RMB 30,391,234.92 (Note 9(3)).

(ii) As of 31 December 2021, the future minimum lease payments of short-term leases and low-value asset leases adopting the practical expedient according to the new lease standard were RMB 6,768,275.36 and RMB 9,600.00 respectively, which should be paid within one year.

(28) Long-term payables

	31 December 2021	31 December 2020
Software royalties payable	8,131,722.28	4,952,011.22
Less: Long-term payables to be settled within one year (Note 4(25))	<u>(5,399,523.68)</u>	<u>(2,534,683.67)</u>
	<u>2,732,198.60</u>	<u>2,417,327.55</u>

(29) Provisions

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Refund payables for goods returned	1,615,994.90	7,267,512.45	(791,144.37)	8,092,362.98
Product warranties	<u>4,964,470.70</u>	<u>830,093.59</u>	<u>(1,105,474.99)</u>	<u>4,689,089.30</u>
	<u>6,580,465.60</u>	<u>8,097,606.04</u>	<u>(1,896,619.36)</u>	<u>12,781,452.28</u>
Less: The portion that is expected to be returned within 1 year	<u>(4,530,115.71)</u>			<u>(10,671,996.27)</u>
	<u>2,050,349.89</u>			<u>2,109,456.01</u>

(30) Deferred income

	31 December 2020	Decrease in the current year Other income	31 December 2021	Asset related/ Income related
Government grants - Jiangsu special fund for the transformation of scientific and technological achievements	<u>4,908,122.66</u>	<u>(1,596,641.89)</u>	<u>3,311,480.77</u>	Asset related

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(31) Share capital

	31 December 2020	Movements in the current year Exercise of equity incentive (Note 4(32))	31 December 2021
RMB-denominated ordinary shares	80,000,000.00	235,848.00	80,235,848.00
	31 December 2019	Movements in the current year Issuance of new shares (a)	31 December 2020
RMB-denominated ordinary shares	60,000,000.00	20,000,000.00	80,000,000.00

- (a) According to the CSRC's *Approval on the Registration of the Initial Public Offering of Shares by 3PEAK Incorporated* (Zheng Jian Xu Ke [2020] No. 1824) issued on 18 August 2020, the Company is allowed to issue 20,000,000 RMB-denominated ordinary shares to the public at an issue price of RMB 115.71 per share. The aforesaid fund was in place on 15 September 2020 and verified by PricewaterhouseCoopers Zhong Tian LLP with a capital verification report of PwC ZT Yan Zi (2020) No. 0818 issued. The total funds raised through this issuance were RMB 2,314,200,000.00. The Company's share capital was increased by RMB 20,000,000.00. The remaining RMB 2,125,746,574.65 after deducting the issuance fee of RMB 168,453,425.35 is included in the capital surplus (share premium) (Note 4 (32)).

(32) Capital surplus

	31 December 2020	Increase in the current year	31 December 2021
Capital premium (a)(i)	2,173,914,021.45	30,138,544.52	2,204,052,565.97
Other capital surplus			
- Share-based payments (a)(i)	57,714,914.37	143,173,808.65	200,888,723.02
	2,231,628,935.82	173,312,353.17	2,404,941,288.99
	31 December 2019	Increase in the current year	31 December 2020
Share premium	48,167,446.80	2,125,746,574.65	2,173,914,021.45
Other capital surplus			
- Share-based payments (a)(i)(ii)	32,274,174.50	25,440,739.87	57,714,914.37
	80,441,621.30	2,151,187,314.52	2,231,628,935.82

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(32) Capital surplus (Continued)

(a) Share-based payment

The Group's share-based payment expenses in 2021 include the share-based payment expenses for Type II restricted shares granted in 2020 and 2021.

(i) Type II restricted shares granted in 2020 and 2021

Restricted shares incentive plan in 2020

According to the '2020 Restricted Shares Incentive Plan (Draft)' and its Summary Proposal approved by the Company at the shareholders' meeting dated 11 December 2020 ("2020 Incentive Plan"), the Company has implemented a restricted shares incentive plan for 192 employees within the Group ("the first group of incentive recipients under the 2020 Incentive Plan") who are not directors or senior executives but are deemed eligible for the incentive by the Board of Directors of the Group. The Company has granted a total of 741,700 Type II restricted shares to the incentive recipients. From the granting date (15 December 2020), the recipients may vest 33% of the restricted shares granted after one year of service, a further 33% after two years, and the remaining 34% after three years. The granting price is RMB 129.00 per share. Under the 2020 Incentive Plan, if an incentive recipient resigns before the expiry of the service period, any unvested restricted shares granted to the incentive recipient as of the date of resignation may not be vested but will be forfeited.

On 24 September 2021, at the 21st meeting of the 2nd Board of Directors of the Company, the *Proposal on Adjusting the Granting Price of Restricted Shares in the 2020 Restricted Shares Incentive Plan* and the *Proposal on Granting Reserved Restricted Shares to the Incentive Recipients* were deliberated and approved. As authorised by the 2nd interim shareholders' meeting in 2020, the Company agreed to adjust the granting price (including reserved grants) of the 2020 Incentive Plan from RMB 129.00 per share to RMB 128.788 per share. Besides, the Company believed that the reserved granting conditions stipulated in the 2020 Incentive Plan had been met and implemented a restricted shares incentive plan for 50 employees within the Group ("the second group of incentive recipients under the 2020 Incentive Plan") who are not directors or senior executives but are deemed eligible by the Board of Directors of the Group. The Company has granted a total of 185,425 Type II restricted shares to the incentive recipients. From the granting date (24 September 2021), the recipients may vest 33% of the restricted shares granted after one year of service, a further 33% after two years, and the remaining 34% after three years. The granting price is RMB 128.788 per share. Under the 2020 Incentive Plan, if an incentive recipient resigns before the expiry of the service period, any unvested restricted shares granted to the incentive recipient as of the date of resignation may not be vested but will be forfeited.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(32) Capital surplus (Continued)

(a) Share-based payment (Continued)

(i) Type II restricted shares granted in 2020 and 2021 (Continued)

Restricted shares incentive plan in 2020 (Continued)

On 15 December 2021, at the 24th meeting of the 2nd Board of Directors and the 19th meeting of the 2nd Board of Supervisors the *Proposal on Cancelling the Partial Unvested Restricted Stocks Granted under the 2020 Restricted Shares Incentive Plan* and the *Proposal on Meeting the Vesting Conditions for the First Vesting Period of the First Granted Part under the 2020 Restricted Shares Incentive Plan* were deliberated and approved. In accordance with the relevant provisions of the Company's 2020 Incentive Plan, the vesting conditions for the first vesting period of the first group of incentive recipients in the 2020 Incentive Plan had been met. There were 180 incentive recipients with 235,848 vested shares, representing a total equity incentive contribution of RMB 30,374,392.52. The capital was in place on 15 December 2021 and was verified by BDO China Shu Lun Pan Certified Public Accountants LLP, which issued the capital verification report of Xin Kuai Shi Bao Zi [2021] No. ZA15950. The Company's share capital was increased by RMB 235,848.00 (Note 4 (31)), and the capital surplus (share premium) was increased by RMB 30,138,544.52.

Restricted shares incentive plan in 2021

According to the '2021 Restricted Shares Incentive Plan (Draft)' and its Summary Proposal approved at the first interim shareholders' meeting dated 15 December 2021 ("2021 Incentive Plan"), the Company implemented a restricted shares incentive plan for 259 employees within the Group ("the first group of incentive recipients under the 2021 Incentive Plan") who are not directors and senior executives but are deemed eligible by the Board of Directors, and granted a total of 816,775 Type II restricted shares to the incentive recipients. From the granting date (15 December 2021), the recipients may vest 33% of the restricted shares granted after one year of service, a further 33% after two years, and the remaining 34% after three years. The granting price is RMB 366.00 per share. Under the 2021 Incentive Plan, if an incentive recipient resigns before the expiry of the service period, any unvested restricted shares granted to the incentive recipient as of the date of resignation may not be vested and will be forfeited.

The Group recognises the share-based payment expenses in instalments during the vesting period since the incentive recipients are granted incentive equity.

The method used to determine the fair value of stock options granted under share-based payment at the granting date:

The Group uses third-party valuation services to assist in the valuation and determination of the fair value of restricted shares at the granting date using an option pricing model.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(32) Capital surplus (Continued)

(a) Share-based payment (Continued)

(i) Type II restricted shares granted in 2020 and 2021 (Continued)

Movements of restricted shares in the current year

	2021	2020
Outstanding restricted shares at the beginning of the year (shares)	741,700	-
Restricted shares granted in the current year (shares)	1,002,200	741,700
Restricted shares exercised in the current year (shares)	(235,848)	-
Restricted shares forfeited in the current year (shares)	(33,827)	-
Outstanding restricted shares at the end of the year (shares)	<u>1,474,225</u>	<u>741,700</u>
Share-based payment expenses for the current year	143,173,808.65	4,852,119.88
Accumulated share-based payment expenses	148,025,928.53	4,852,119.88

As of 31 December 2021, the remaining period of restricted shares incentive plan was 5 years until 14 December 2026.

The weighted average share price of the restricted shares vested in the current period at the vesting date was RMB 808.06.

(ii) Restricted shares granted in 2015 and 2017

On 21 August 2015, the Board of Directors approved the equity incentive plan under the authorisation of the Company's shareholders and established the employee shareholding platform Dicalyx Xinze. Shareholders including ZHIXU ZHOU, FENG YING, Huaxin Venture Capital, and Angu Venture Capital transferred a total of 9.50% of their shares in the Company to Dicalyx Xinze free of charge, and Dicalyx Xinze provided incentives to eligible employees (hereinafter referred to as the "first group of incentive recipients"). The first group of incentive recipients indirectly hold restricted shares of the Company by becoming partners of the shareholding platform. Under the granting agreement, the vesting period for restricted shares is from the granting date until the Company's successful listing. If the incentive recipients resign prior to the successful listing of the Company, the shareholding platform shall have the right to repurchase the shares. The repurchase price shall be calculated on the basis of the audited net asset value of the Company as of the end of the previous year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(32) Capital surplus (Continued)

(a) Share-based payment (Continued)

(ii) Restricted shares granted in 2015 and 2017 (Continued)

On 13 March 2017, the Board of Directors approved the equity incentive plan under the authorisation of the Company's shareholders and established the employee shareholding platform Defang Consulting. Huaxin Venture Capital, Angu Venture Capital, Jinying Investment, and Juntong Investment transferred a total of 3.00% of their shares in the Company to Defang Consulting free of charge, and Defang Consulting provided incentives to eligible employees (hereinafter referred to as the "second group of incentive recipients"). The second group of incentive recipients indirectly hold restricted shares of the Company by becoming partners of the shareholding platform. Under the granting agreement, the vesting period for restricted shares is from the granting date until the Company's successful listing. If the incentive recipients resign prior to the successful listing of the Company, the shareholding platform shall have the right to repurchase the shares. The repurchase price shall be calculated on the basis of the audited net asset value of the Company as of the end of the previous year.

The method used to determine the fair value of stock options granted under share-based payment at the granting date:

The Group recognises the fair value based on the capital increase by third party investors in previous years, the value of the share transfer and the valuation by third party institutions, and then determines the value of the shares granted under the equity incentive plan.

In 2020, the Group confirmed share-based payment expenses of RMB 20,588,619.99 for restricted shares granted in 2015 and 2017 (2021: none).

(iii) The expenses recognised for restricted shares under equity-settled share-based payment are as follows:

	2021	2020
Research and development expenses	105,040,956.17	20,236,058.66
Selling and distribution expenses	23,669,094.02	2,697,696.53
General and administrative expenses	14,463,758.46	2,506,984.68
	<u>143,173,808.65</u>	<u>25,440,739.87</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(33) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2021			
	31 December 2020	Attributable to the parent company - net of tax	31 December 2021	Pre-tax amount	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority shareholders - net of tax
Other comprehensive income items which will not be reclassified to profit or loss							
Changes in fair value of investments in other equity instruments	-	1,838,630.53	1,838,630.53	2,042,922.81	(204,292.28)	1,838,630.53	-
Other comprehensive income items which will be reclassified to profit or loss							
Differences on translation of foreign currency financial statements	130,311.45	(66,907.48)	63,403.97	(66,907.48)	-	(66,907.48)	-
	<u>130,311.45</u>	<u>1,771,723.05</u>	<u>1,902,034.50</u>	<u>1,976,015.33</u>	<u>(204,292.28)</u>	<u>1,771,723.05</u>	<u>-</u>
	Other comprehensive income in the balance sheet			Other comprehensive loss in the income statement for the year ended 31 December 2020			
	31 December 2019	Attributable to the parent company - net of tax	31 December 2020	Pre-tax amount	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority shareholders - net of tax
Other comprehensive income items which will be reclassified to profit or loss							
Differences on translation of foreign currency financial statements	335,869.03	(205,557.58)	130,311.45	(205,557.58)	-	(205,557.58)	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(34) Surplus reserve

	31 December 2020	Increase in the current year	31 December 2021
Statutory surplus reserve	<u>26,731,566.25</u>	<u>13,386,357.75</u>	<u>40,117,924.00</u>
	31 December 2019	Increase in the current year	31 December 2020
Statutory surplus reserve	<u>7,967,118.61</u>	<u>18,764,447.64</u>	<u>26,731,566.25</u>

In accordance with the *Company Law of the People's Republic of China* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to the resolution of the Board of Directors, the Company appropriated RMB 13,386,357.75 in 2021 (2020: RMB 18,764,447.64) at the lower of 10% of net profit for the year and the amount by which the accumulated appropriation reaches 50% of the registered capital.

(35) Undistributed profits

	2021	2020
Undistributed profits at the beginning of the year	235,266,342.38	70,238,654.12
Add: Net profit attributable to the shareholders of the Company	443,535,565.13	183,792,135.90
Less: Appropriation to statutory surplus reserve (Note 4(34))	(13,386,357.75)	(18,764,447.64)
Less: Profit distribution (a)	<u>(16,960,000.00)</u>	<u>-</u>
Undistributed profits at the end of the year	<u>648,455,549.76</u>	<u>235,266,342.38</u>

- (a) In accordance with the resolution at the Board of Shareholders' meeting dated 20 May 2021, the Company proposed a cash dividend to the shareholders at RMB 0.212 per share (including tax), amounting to RMB 16,960,000.00 calculated on the basis of the total share capital of 80,000,000 shares on the equity record date at the time of the implementation of equity distribution. As of 31 December 2021, the above payments had been made in full.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(36) Revenue and cost of sales

	2021	2020
Revenue from main operations	<u>1,325,948,910.93</u>	<u>566,488,517.74</u>
	2021	2020
Cost of sales from main operations	<u>523,361,202.69</u>	<u>219,642,381.40</u>

(a) Revenue and cost of sales from main operations

	2021		2020	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sales of signal chain analogue chips	1,027,718,248.25	375,356,748.82	544,819,041.33	204,308,578.17
Sales of power analogue chips	<u>298,230,662.68</u>	<u>148,004,453.87</u>	<u>21,669,476.41</u>	<u>15,333,803.23</u>
	<u>1,325,948,910.93</u>	<u>523,361,202.69</u>	<u>566,488,517.74</u>	<u>219,642,381.40</u>

(b) The Company's revenue in 2021 was recognised at a point in time.

(37) Taxes and surcharges

	2021	2020
City maintenance and construction tax	5,730,282.49	2,291,632.85
Educational surcharge	4,131,497.59	1,637,613.14
Others	<u>383,241.97</u>	<u>119,153.80</u>
	<u>10,245,022.05</u>	<u>4,048,399.79</u>

3PEAK INCORPORATED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]**4 Notes to the consolidated financial statements (Continued)****(38) Selling and distribution expenses**

	2021	2020
Employee benefits	25,792,585.26	15,322,083.17
Share-based payment expenses	23,669,094.02	2,697,696.53
Travel expenses	1,328,531.81	805,480.53
Rental expenses	1,220,333.97	1,373,635.09
Entertainment expenses	1,150,616.12	676,718.44
General office expenses	767,756.18	364,967.62
Marketing fee	696,610.22	227,272.03
Depreciation of right-of-use assets	429,907.71	-
Depreciation and amortisation	157,879.40	52,388.74
Business development expenses	23,560.65	188,110.07
Others	1,287,729.70	1,526,078.53
	<u>56,524,605.04</u>	<u>23,234,430.75</u>

(39) General and administrative expenses

	2021	2020
Employee benefits	35,595,644.74	18,210,048.14
Share-based payment expenses	14,463,758.46	2,506,984.68
Professional service fees	7,656,713.42	6,195,172.66
Rental expenses	1,679,206.05	2,378,848.01
General office expenses	1,659,963.44	907,969.59
Depreciation and amortisation	1,133,034.56	1,106,251.84
Entertainment expenses	1,041,637.18	1,452,551.45
Depreciation of right-of-use assets	1,078,116.18	-
Travel expenses	550,854.45	553,060.57
Others	184,287.11	606,887.26
	<u>65,043,215.59</u>	<u>33,917,774.20</u>

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4 Notes to the consolidated financial statements (Continued)

(40) Research and development expenses

	2021	2020
Employee benefits	142,194,318.64	69,025,347.09
Share-based payment expenses	105,040,956.17	20,236,058.66
Consumed raw materials	19,494,979.96	14,996,860.52
Depreciation and amortisation expenses	14,316,883.16	7,110,433.02
Technical testing expenses	9,623,336.57	5,734,663.15
Rental expenses	5,517,113.97	3,530,772.71
Travelling expenses	2,320,308.91	998,859.65
Depreciation of right-of-use assets	1,314,260.97	-
General office expenses	573,902.04	391,817.94
Patent royalties	252,198.40	381,594.68
Others	320,809.51	135,684.60
	<u>300,969,068.30</u>	<u>122,542,092.02</u>

(41) Financial income

	2021	2020
Interest costs on lease liabilities	(304,221.37)	-
Other interest costs	(280,178.11)	(257,892.71)
Interest expenses	(584,399.48)	(257,892.71)
Interest income	4,309,417.08	1,488,157.13
Exchange gains or losses	(446,775.01)	(366,826.54)
Commission charges	(39,493.72)	(77,377.83)
	<u>3,238,748.87</u>	<u>786,060.05</u>

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(42) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	2021	2020
Changes in inventories of goods in stock and materials under consigned processing	(79,222,125.99)	(5,351,232.59)
Consigned processing expenses	309,835,945.47	109,684,472.91
Consumed raw materials	305,103,069.20	126,680,980.88
Employee benefits	203,582,548.64	102,557,478.40
Share-based payment expenses	143,173,808.65	25,440,739.87
Depreciation and amortisation expenses	18,925,474.91	8,858,730.92
Technical testing expenses	9,623,336.57	5,734,663.15
Rental expenses (i)	8,416,653.99	7,283,255.81
Professional service fees	7,656,713.42	6,195,172.66
Travelling expenses	4,199,695.17	2,357,400.75
Freights	3,821,616.17	1,864,362.13
General office expenses	3,001,621.66	1,664,755.15
Depreciation of right-of-use assets	2,822,284.86	-
Entertainment expenses	2,412,609.12	2,264,654.49
Marketing fee	696,610.22	227,272.03
Patent royalties	252,198.40	381,594.68
Others	1,596,031.16	3,492,377.13
	<u>945,898,091.62</u>	<u>399,336,678.37</u>

- (i) As disclosed in Note 2(23), the Group directly recognises the lease payments of short-term leases and low value leases in profit or loss. In 2021, the amount was RMB 8,416,653.99.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(43) Other income

	2021	2020	Asset related/ Income related
Government grants			
- Suzhou reward for successful listing in capital markets and leading enterprises	9,000,000.00	-	Income related
- Local financial subsidy and support	2,839,986.35	632,871.40	Income related
- Jiangsu special fund for the transformation of scientific and technological achievements	1,596,641.89	91,877.34	Asset related
- Special funds for advanced manufacturing base in Suzhou City	1,000,000.00	800,000.00	Income related
- Patent grant	25,948.00	82,500.00	Income related
- Others	-	5,896.66	Income related
Refund of service fee for withholding IIT	188,672.25	-	-
	<u>14,651,248.49</u>	<u>1,613,145.40</u>	

(44) Investment income

	2021	2020
Investment income earned during the holding period of financial assets held for trading	59,777,768.49	14,043,037.18
Losses on long-term equity investments under equity method	(767,991.84)	-
	<u>59,009,776.65</u>	<u>14,043,037.18</u>

(45) Gains arising from changes in fair value

	2021	2020
Financial assets at fair value through profit or loss - Structured deposits	<u>1,397,951.24</u>	<u>977,928.22</u>

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Continued)

(46) Credit impairment gains

	2021	2020
Reversal of bad debts of accounts receivable	<u>11,150.03</u>	<u>166,235.26</u>

(47) Asset impairment (losses)/gains

	2021	2020
(Losses on)/Reversal of decline in the value of inventories	<u>(2,563,651.14)</u>	<u>331,343.58</u>

(48) Non-operating expenses

	2021	2020	Amount recognised in non-recurring profit or loss in 2021
Donation	423,000.00	-	423,000.00
Others	<u>42,966.02</u>	<u>49.44</u>	<u>42,966.02</u>
	<u>465,966.02</u>	<u>49.44</u>	<u>465,966.02</u>

(49) Income tax expenses/(income)

	2021	2020
Current income tax expenses/income calculated based on tax law and related regulations	88,769.38	(1,805,633.19)
Deferred income tax expenses/(income)	<u>1,460,720.87</u>	<u>(965,362.88)</u>
	<u>1,549,490.25</u>	<u>(2,770,996.07)</u>

3PEAK INCORPORATED**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Continued)**(49) Income tax expenses/(income) (Continued)**

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is set out as below:

	2021	2020
Total profit	445,085,055.38	181,021,139.83
Income tax expenses calculated at applicable tax rate of 25%	111,271,263.85	45,255,284.96
Effects of different tax rates applied to subsidiaries	(175,756.29)	(136,902.18)
Effect of change in the tax rates	747,267.19	-
Effect of preferential tax rates	(126,589,501.08)	(38,370,860.50)
Costs, expenses and losses not deductible for tax purposes	10,179,312.60	7,747,511.55
Deductible temporary differences for which no deferred tax asset was recognised	154,438.57	-
Deductible losses for which no deferred tax asset was recognised	10,089,640.89	-
Additional deduction of research and development expenses	(4,127,175.48)	(17,266,029.90)
Income tax expenses/(income)	1,549,490.25	(2,770,996.07)

(50) Earnings per share**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2021	2020
Consolidated net profit attributable to ordinary shareholders of the Company	443,535,565.13	183,792,135.90
Weighted average number of ordinary shares outstanding issued by the Company	80,000,000.00	65,000,000.00
Basic earnings per share	5.54	2.83
Including:		
- Basic earnings per share from continuing operations:	5.54	2.83
- Basic earnings per share from discontinued operations:	-	-

3PEAK INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Continued)

(50) Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding:

	2021	2020
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	443,535,565.13	183,792,135.90
Weighted average number of ordinary shares outstanding issued by the Company	80,000,000.00	65,000,000.00
Add: Weighted average number increased due to granting of restricted shares	265,867.00	3,342.24
Adjusted weighted average number of ordinary shares outstanding issued by the Company	80,265,867.00	65,003,342.24
Diluted earnings per share	5.53	2.83
Including:		
- Diluted earnings per share from continuing operations:	5.53	2.83
- Diluted earnings per share from discontinued operations:	-	-

(51) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2021	2020
Government grants received	13,054,606.60	6,521,268.06
Withholding individual income tax	12,110,283.89	-
Interest income	4,710,482.42	1,094,253.02
Others	3,586,666.11	872,582.23
	33,462,039.02	8,488,103.31

3PEAK INCORPORATED**NOTES TO THE FINANCIAL STATEMENTS
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[English translation for reference only]**4 Notes to the consolidated financial statements (Continued)****(51) Notes to the cash flow statement (Continued)****(b) Cash paid relating to other operating activities**

	2021	2020
Technical testing expenses	9,623,336.57	5,734,663.15
Rental expenses	8,854,784.67	7,608,758.16
Travel and transportation expenses	4,199,695.17	2,357,400.75
Entertainment expenses	2,412,609.12	2,264,654.49
Deposit and guarantee expenditures	1,401,058.08	418,623.40
Others	798,033.27	784,630.02
	<u>27,289,516.88</u>	<u>19,168,729.97</u>

(c) Cash received relating to other financing activities

	2021	2020
Exercise amount of equity incentive	<u>30,374,392.52</u>	<u>-</u>

(d) Cash paid relating to other financing activities

	2021	2020
Payments for rental deposits	3,224,932.03	-
Repayments of lease liabilities	3,044,158.95	-
Advances for right-of-use assets	2,532,622.91	-
Issuance and listing expenses	1,080,000.00	13,547,618.59
	<u>9,881,713.89</u>	<u>13,547,618.59</u>

In 2021, total cash outflows for leases paid by the Group amounted to RMB 18,718,409.68 which is classified as cash paid relating to financing activities for repayments of lease liabilities and payments for rental deposits and operating activities for the remainder.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Continued)

(52) Supplementary information to the cash flow statement

(a) Reconciliation from consolidated net profit to cash flows from operating activities

	2021	2020
Net profit	443,535,565.13	183,792,135.90
Add: Asset impairment losses/(gains)	2,563,651.14	(331,343.58)
Credit impairment gains	(11,150.03)	(166,235.26)
Depreciation of fixed assets	13,415,505.47	5,414,207.60
Amortisation of intangible assets	4,218,556.42	2,553,331.68
Amortisation of long-term prepaid expenses	1,291,413.02	891,191.64
Depreciation of right-of-use assets	2,822,284.86	-
Financial expenses	1,584,224.12	303,893.63
Investment income	(59,009,776.65)	(14,043,037.18)
Gains arising from changes in fair value	(1,397,951.24)	(977,928.22)
(Decrease)/Increase in deferred income	(1,596,641.89)	4,908,122.66
Increase in inventories	(77,913,982.80)	(20,520,222.32)
Increase in provisions	6,200,986.68	1,294,852.98
Share-based payments	143,173,808.65	25,440,739.87
Decrease/(Increase) in deferred tax assets	1,472,444.63	(965,362.88)
(Increase)/Decrease in operating receivables	(342,810,734.90)	11,708,139.10
Increase in operating payables	104,202,815.02	27,097,458.44
Net cash flows from operating activities	<u>241,741,017.63</u>	<u>226,399,944.06</u>

(b) Significant operating, investing and financing activities that do not involve cash receipts and payments

	2021	2020
Increase in right-of-use assets in the current period	15,852,405.40	-
Software royalties payable	8,131,722.28	4,952,011.22
Professional service fees payable	-	1,087,736.85
Stamp tax payable	-	536,570.79
Payables for improvements to right-of-use assets	-	46,406.95
	<u>23,984,127.68</u>	<u>6,622,725.81</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Notes to the consolidated financial statements (Continued)

(52) Supplementary information to the cash flow statement (Continued)

(c) Net increase/(decrease) in cash and cash equivalents

	2021	2020
Cash and cash equivalents at the end of the year	297,368,160.43	1,499,260,579.72
Less: Cash and cash equivalents at the beginning of the year	<u>(1,499,260,579.72)</u>	<u>(103,512,628.51)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,201,892,419.29)</u>	<u>1,395,747,951.21</u>

(d) Cash and cash equivalents

	31 December 2021	31 December 2020
Cash	297,368,160.43	1,499,260,579.72
Including: Cash at bank that can be readily drawn on demand	<u>297,368,160.43</u>	<u>1,499,260,579.72</u>
Cash and cash equivalents at the end of the year	<u>297,368,160.43</u>	<u>1,499,260,579.72</u>

3PEAK INCORPORATED**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Continued)**(53) Monetary items denominated in foreign currencies**

	31 December 2021		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	4,945,024.10	6.3757	31,527,990.15
HKD	192,314.49	0.8176	157,236.33
			<u>31,685,226.48</u>
Accounts receivable -			
USD	3,370,622.68	6.3757	<u>21,490,079.02</u>
Accounts payable -			
USD	3,696,866.48	6.3757	<u>23,570,111.62</u>
Other payables -			
USD	90,172.80	6.3757	<u>574,914.72</u>
Non-current liabilities to be settled within one year -			
USD	159,369.16	6.3757	<u>1,016,089.95</u>
Long-term payables -			
USD	151,990.35	6.3757	<u>969,044.87</u>

Foreign currencies in which the above monetary items are denominated refer to all currencies other than RMB (the scope of which is different from the foreign currency items in Note 9(1)(a)).

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5 Equity in other entities

(1) Equity in subsidiaries

Composition of the Group

Subsidiaries	Principal place of business	Place of incorporation	Nature of business	Direct shareholding (%)	Acquisition method
3PEAK (HONGKONG) LIMITED	Hong Kong	Hong Kong	Foreign trade	100%	Set up by investment
3PEAK Semiconductor (Shanghai) LIMITED	Shanghai	Shanghai	Technology research and development	100%	Set up by investment
3PEAK (Chengdu) LIMITED	Chengdu	Chengdu	Technology research and development	100%	Set up by investment
3PEAK (Beijing) LIMITED (a)	Beijing	Beijing	Technology research and development	100%	Set up by investment
3PEAK (Shanghai) LIMITED (b)	Shanghai	Shanghai	Technology research and development	100%	Set up by investment
3PEAK (Hangzhou) LIMITED (c)	Hangzhou	Hangzhou	Technology research and development	100%	Set up by investment
ANIMATO (HONGKONG) LIMITED (d)	Hong Kong	Hong Kong	Investment holding	100%	Set up by investment

- (a) The Company established a wholly-owned subsidiary 3PEAK (Beijing) LIMITED with cash contribution of RMB 5,000,000 on 24 March 2021.
- (b) The Company established a wholly-owned subsidiary 3PEAK (Shanghai) LIMITED with cash contribution of RMB 300,000,000 on 3 February 2021.
- (c) The Company established a wholly-owned subsidiary 3PEAK (Hangzhou) LIMITED with cash contribution of RMB 5,000,000 on 17 August 2021.
- (d) The Company established a wholly-owned subsidiary ANIMATO (HONGKONG) LIMITED with registered capital of USD 1,000,000.00 on 2 December 2021. As of 31 December 2021, the capital contribution had not been paid yet.

(2) Equity in joint ventures

(a) General information of joint ventures

	Principal place of business	Place of incorporation	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Joint ventures - Shanghai Xinchengyang Technology Co., Ltd. (i)	Shanghai	Shanghai	Technical service	Yes	35.00%	-
Suzhou Xinyang Venture Capital Centre (Limited Partnership). (ii)	Suzhou	Suzhou	Venture capital investment	Yes	66.23%	0.23%

The Group accounts for the above equity investments using the equity method.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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5 Equity in other entities (Continued)

(2) Equity in joint ventures (Continued)

(a) General information of joint ventures (Continued)

- (i) The Group holds 35% of the ownership interest in Shanghai Xinchengyang Technology Co., Ltd. ("Shanghai Xinchengyang"). One of the three Board directors and the general manager of Shanghai Xinchengyang are appointed by the Group, and the resolution of the Board of Directors is made by unanimous consent of the three directors. The Group jointly controls Shanghai Xinchengyang with other parties and has rights over Shanghai Xinchengyang's net assets. Therefore, the Group accounts for it as a joint venture.
- (ii) The Group holds 66.46% of the ownership interest in Suzhou Xinyang Venture Capital Centre (Limited Partnership) ("Suzhou Xinyang"). One of the three members of the Investment Committee of Suzhou Xinyang is appointed by the Group, and the investment of the Investment Committee is subject to unanimous consent of the three members. The Group jointly controls Suzhou Xinyang with other parties and has rights over Suzhou Xinyang's net assets. Therefore, the Group accounts for it as a joint venture.

(b) Summarised financial information for immaterial joint ventures

2021

Joint ventures:

Aggregated carrying amount of investments	35,158,674.83
Aggregate of the following items in proportion	
Net profit (i)	(767,991.84)
Other comprehensive income (i)	-
Total comprehensive income	<u>(767,991.84)</u>

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisitions of investments in joint ventures and the alignment of accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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6 Related parties and related party transactions

(1) Information of the largest shareholder

(a) General information of the largest shareholder

	Place of incorporation	Nature of business
Huaxin Venture Capital	Shanghai	Venture capital investment and venture capital consulting

(b) The percentages of shareholding and voting rights in the Company held by the largest shareholder

	31 December 2021		31 December 2020	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Huaxin Venture Capital	18.50%	18.50%	18.55%	18.55%

(2) Information of subsidiaries

The general information and other related information of subsidiaries are set out in Note 5.

(3) Information of other related parties

	Relationship with the Group
Dicalyx Xinze	Investor of the Company
Customer A1	Controlled by the ultimate holding company of shareholder holding over 5% equity of the Company
Customer A2	Controlled by the ultimate holding company of shareholder holding over 5% equity of the Company
Customer A3	Controlled by the ultimate holding company of shareholder holding over 5% equity of the Company
Customer A4	Controlled by the ultimate holding company of shareholder holding over 5% equity of the Company

Note: Customers A1, A2, A3 and A4 are legal entities within the same Group, so the Group disclosed the sales amount of goods and receivables of these four customers in a consolidated manner in the disclosure of related party transactions, in which customer A refers to customer A1 and its related party customers A2, A3 and A4. Since the shareholder of the Company controlled by the ultimate holding company of customer A held less than 5% of the ownership interest of the Company from 17 November 2021, customer A ceased to be a related party of the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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6 Related parties and related party transactions (Continued)

(3) Information of other related parties (Continued)

(a) Pricing policies for related party transactions and procedure for decision-making

The pricing policies of transaction between the Group and related parties are based on mutual agreement by reference to the market price.

(4) Related party transactions

(a) Purchase and sales of goods, and rendering and receipt of services

Sales of goods and rendering of services

Related party	Content of transaction	Pricing policies for related party transactions	2021	2020
Customer A	Sales of goods	Market price	-	311,577,073.66

Purchase of goods and receipt of services

Related party	Content of transaction	Pricing policies for related party transactions	2021	2020
Customer A	Receipt of services	Market price	226,415.09	-

(b) Remuneration of key management

	2021	2020
Salary of key management	11,851,902.02	12,752,640.00
Share-based payment expenses of key management	-	3,033,051.71
	<u>11,851,902.02</u>	<u>15,785,691.71</u>

(c) Payments by the Company on behalf of related parties

	2021	2020
Dicalyx Xinze	-	12,500.00

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7 Commitments

(1) Capital commitments and other commitments

As of the balance sheet date, capital expenditures and other commitments contracted for but not yet necessary to be recognised by the Group in the balance sheet are as follows:

	31 December 2021	31 December 2020
Improvements to right-of-use assets	38,257,149.77	-
Intangible assets	-	3,131,952.00
Wafer purchase commitment	-	195,747,000.00
	<u>38,257,149.77</u>	<u>198,878,952.00</u>

(2) Investment commitments

According to the Fund Cooperation Framework Agreement signed on 28 June 2021 between the subsidiary of the Company 3PEAK (Shanghai) LIMITED and Beijing Kaiyuan Mingxin Investment Management Centre (Limited Partnership) and Qingdao Huaxin Qiyun Investment Management Co., Ltd., 3PEAK (Shanghai) LIMITED committed to contributing RMB 100,000,000.00 to Suzhou Xinyang as a limited partner. As of 31 December 2021, 3PEAK (Shanghai) LIMITED had contributed RMB 32,426,666.67, and RMB 67,573,333.33 had not yet been paid.

According to the Investment Agreement signed on 28 June 2021 between the subsidiary of the Company 3PEAK (Shanghai) LIMITED and China (Shanghai) Pilot Free Trade Zone Lin-Gang Special Area Administration, 3PEAK (Shanghai) LIMITED would bid for the land in Lin-Gang Special Area to build up a project for the upgrading and industrialisation of analogue integrated circuit products. The total investment on the project in the next five years was estimated to be approximately RMB 1 billion. The above investment is a long-term investment, which will be carried out by phase and step by the Company based on the strategic plan, operating plan, finance condition and agreement.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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8 Events after the balance sheet date

(1) Description of profit distribution

Amount

Proposed dividend distribution (a)	<u>49,264,810.67</u>
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In accordance with the proposal at the 2nd meeting of the 3rd Board of Directors, the Company proposed a cash dividend of RMB 0.614 per share (including tax) to all shareholders, amounting to RMB 49,264,810.67 (including tax) based on 80,235,848 issued shares.

9 Financial instruments and risks

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk and price risk), credit risk and liquidity risk. The above financial risks and the Group's risk management policies to mitigate the risks are as follows:

The Board of Directors is responsible for the planning and establishment of the risk management framework of the Group, the formulation of the risk management policies and related guidelines of the Group, and the supervision of the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group, which clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group regularly assesses the market environment and changes in the Group's operating activities to determine whether the risk management policies and systems are updated. The internal audit department of the Group periodically conducts audits on risk management control and procedures and reports the results to the Audit Committee of the Group.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in the Chinese mainland and a majority of the transactions are denominated in RMB and USD. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to USD. The Group is responsible for continuously monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. During 2021 and 2020, the Group did not enter into any forward exchange contracts or currency swap contracts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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9 Financial instruments and risks (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

As of 31 December 2021 and 31 December 2020, the financial assets and financial liabilities denominated in foreign currencies, which were held by the subsidiaries of the Group, whose recording currency was RMB, are expressed in RMB as follows:

	31 December 2021	31 December 2020
	USD	USD
Financial assets denominated in foreign currencies -		
Cash at bank and on hand	22,368,224.07	3,871,731.66
Accounts receivable	10,711,878.61	2,576,064.05
	<u>33,080,102.68</u>	<u>6,447,795.71</u>
Financial liabilities denominated in foreign currencies -		
Accounts payable	23,151,730.47	5,350,313.67
Other payables	3,981,243.76	-
Non-current liabilities to be settled within one year	3,550,773.65	2,534,683.67
Long-term payables	969,044.90	2,417,327.55
	<u>31,652,792.78</u>	<u>10,302,324.89</u>

As of 31 December 2021, for financial assets and financial liabilities denominated in USD in the subsidiaries whose recording currency was RMB, if the RMB had strengthened/weakened by 5% against the USD while all other variables had been held constant, the Group's total profit for the year would have been approximately RMB 71,365.50 lower/higher (31 December 2020: approximately RMB 192,726.46 higher/lower).

As of 31 December 2021 and 31 December 2020, the financial assets and financial liabilities denominated in foreign currencies, which were held by the subsidiaries of the Group, whose recording currency was USD, are expressed in RMB as follows:

	31 December 2021		
	RMB	HKD	Total
Financial assets denominated in foreign currencies -			
Cash at bank and on hand	25,576,316.67	157,236.30	25,733,552.97

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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9 Financial instruments and risks (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

	31 December 2020		Total
	RMB	HKD	
Financial assets denominated in foreign currencies -			
Cash at bank and on hand	<u>93,729,852.99</u>	<u>183,735.12</u>	<u>93,913,588.11</u>
Financial liabilities denominated in foreign currencies -			
Accounts payable	<u>20,379.22</u>	<u>-</u>	<u>20,379.22</u>

As of 31 December 2021, for financial assets and financial liabilities denominated in RMB in the subsidiaries whose recording currency was USD, if the USD had strengthened/weakened by 5% against the RMB while all other variables had been held constant, the Group's total profit for the year would have been approximately USD 191,025.27 lower/higher, equivalent to RMB 1,278,815.83 (31 December 2020: approximately USD 683,896.44 lower/higher, equivalent to RMB 4,685,473.69).

(b) Other price risk

The Group's other price risk arises mainly from various investments in equity instruments with a risk of changes in the prices of the equity instruments.

As of 31 December 2021, if the prices of investments in equity instruments had risen/fallen by 5%, the Group's other comprehensive income would have been approximately RMB 608,215.70 (31 December 2020: None) higher/lower.

(2) Credit risk

Credit risk is managed on a collective basis. Credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable, other receivables, etc. As of the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are deposited at state-owned banks and other large or medium size listed banks with good reputation and high credit rating, and there will be almost no significant losses from non-performance by these banks.

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9 Financial instruments and risks (Continued)

(2) Credit risk (Continued)

In addition, the Group has policies to limit the credit exposure on accounts receivable, notes receivable and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history, and other factors such as current market conditions. Accounts receivable and notes receivable are mainly from customers with stable cooperation and good credit. Other receivables mainly are deposits and guarantees receivable from third parties. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will chase settlement by using written payment reminders, or shorten/cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As of 31 December 2021 and 31 December 2020, the Group had no significant collateral or other credit enhancements held as securities from debtors.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department at headquarters level. The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs; continuously monitors whether the covenant terms in borrowing agreements are complied with; and maintains sufficient headroom on the Group's committed undrawn banking facilities from major financial institutions so as to meet the short-term and long-term liquidity requirements.

As of the balance sheet date, the undiscounted contractual cash flows of the Group's financial liabilities, analysed by their maturity dates, are as below:

	31 December 2021			Total
	Within 1 year	1 to 2 years	2 to 3 years	
Accounts payable	94,501,055.89	-	-	94,501,055.89
Other payables	14,079,999.52	-	-	14,079,999.52
Non-current liabilities to be settled within one year	11,581,085.16	-	-	11,581,085.16
Lease liabilities	-	4,828,499.82	2,175,439.13	7,003,938.95
Long-term payables	-	2,947,425.59	-	2,947,425.59
	<u>120,162,140.57</u>	<u>7,775,925.41</u>	<u>2,175,439.13</u>	<u>130,113,505.11</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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9 Financial instruments and risks (Continued)

(3) Liquidity risk (Continued)

	31 December 2020			Total
	Within 1 year	1 to 2 years	2 to 3 years	
Accounts payable	28,410,751.56	-	-	28,410,751.56
Other payables	2,879,294.33	-	-	2,879,294.33
Non-current liabilities to be settled within one year	2,534,683.67	-	-	2,534,683.67
Long-term payables	-	2,534,683.67	-	2,534,683.67
	<u>33,824,729.56</u>	<u>2,534,683.67</u>	<u>-</u>	<u>36,359,413.23</u>

- (i) As of the balance sheet date, cash flows derived from leases not yet commenced to which the Group was committed are analysed by maturity (Note 4(27)(a)(i)):

	31 December 2021			Total
	Within 1 year	1 to 2 years	2 to 3 years	
Future cash flows not included in lease liabilities	<u>10,130,411.64</u>	<u>10,130,411.64</u>	<u>10,130,411.64</u>	<u>30,391,234.92</u>

10 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- (1) Assets measured at fair value on a recurring basis

As of 31 December 2021, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading -				
Structured deposits	-	-	2,366,375,879.46	2,366,375,879.46
Investments in other equity instruments	-	-	13,515,904.37	13,515,904.37
	<u>-</u>	<u>-</u>	<u>2,379,891,783.83</u>	<u>2,379,891,783.83</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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10 Fair value estimates (Continued)

(1) Assets measured at fair value on a recurring basis (Continued)

As of 31 December 2020, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading -				
Structured deposits	-	-	958,977,928.22	958,977,928.22

As of 31 December 2021 and 31 December 2020, the Group had no financial liabilities measured at fair value.

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation techniques. The valuation models used mainly comprise expected earnings method and equity distribution model. The inputs of the valuation technique mainly include yield rate agreed in the contract, financing price, risk-free interest rate and benchmark interest rate.

The movements in Level 3 assets and liabilities are analysed below:

	Financial assets held for trading - Structured deposits	Investments in other equity instruments - Equity investments	Total
1 January 2021	958,977,928.22	-	958,977,928.22
Purchases	9,521,500,000.00	11,472,981.56	9,532,972,981.56
Redemption upon maturity	(8,178,864,434.60)	-	(8,178,864,434.60)
VAT payable recognised in the current period	3,586,666.11	-	3,586,666.11
Total gains for the current period			
Gains recognised in profit or loss (a)	61,175,719.73	-	61,175,719.73
Gains recognised in other comprehensive income	-	2,042,922.81	2,042,922.81
31 December 2021	2,366,375,879.46	13,515,904.37	2,379,891,783.83

Changes in unrealised gains included in profit or loss for the current period with respect to assets still held as of 31 December 2021 - Gains or losses on changes in fair value

	1,397,951.24	-	1,397,951.24
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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10 Fair value estimates (Continued)

(1) Assets measured at fair value on a recurring basis (Continued)

	Financial assets held for trading - Structured deposits
1 January 2020	-
Purchases	3,256,000,000.00
Redemption upon maturity	(2,312,885,619.41)
VAT payable recognised in the current period	842,582.23
Total gains for the current period	
Gains recognised in profit or loss (a)	15,020,965.40
31 December 2020	<u>958,977,928.22</u>
Changes in unrealised gains included in profit or loss for the current period with respect to assets still held as of 31 December 2020	
- Gains or losses on changes in fair value	<u>977,928.22</u>

- (a) Gains recognised in profit or loss are included in the income statement under the items of gains on changes in fair value and investment income respectively.

Information about the Level 3 fair value measurements is as follows:

	Fair value as of 31 December 2021	Valuation technique	Inputs		Observable/ Unobservable
			Name	Scope	
Financial assets held for trading -					
Structured deposits	2,366,375,879.46	Expected earnings method	Yield rate agreed in the contract	1.35% to 5.30%	Unobservable
Investments in other equity instruments -					
Equity investments	<u>13,515,904.37</u> <u>2,379,891,783.83</u>	Equity distribution model	Comprehensive factor analysis	11.69% to 39.31%	Unobservable
	Fair value as of 31 December 2020	Valuation technique	Input		Observable/ Unobservable
			Name	Scope	
Financial assets held for trading -					
Structured deposits	<u>958,977,928.22</u>	Expected earnings method	Yield rate agreed in the contract	0.88% to 4.32%	Unobservable

(2) Assets and liabilities not measured at fair value but for which their fair values are disclosed

Financial assets and financial liabilities measured at amortised cost mainly include notes receivable, accounts receivable, other receivables, long-term receivables, payables, lease liabilities and long-term payables.

The carrying amounts of the other financial assets and financial liabilities not measured at fair value reasonably approximate their fair values.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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11 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as 'owners' equity' as shown in the consolidated balance sheet. The Group is not subject to any external mandatory capital requirements and monitors its capital on the basis of debt-to-asset ratio.

As of 31 December 2021 and 31 December 2020, the Group's debt-to-asset ratio is as follows:

	31 December 2021	31 December 2020
Debt-to-asset ratio	<u>7.74%</u>	<u>3.40%</u>

12 Notes to the Company's financial statements

(1) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	332,634,930.18	217,616,239.82
Less: Provision for bad debts	<u>(18,970.33)</u>	<u>(30,636.00)</u>
	<u>332,615,959.85</u>	<u>217,585,603.82</u>

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2021	31 December 2020
Within 1 year	<u>332,634,930.18</u>	<u>217,616,239.82</u>

(b) As of 31 December 2021, the accounts receivable from the top five debtors in respect of outstanding balance are analysed as below:

	Balance	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	<u>296,950,523.04</u>	<u>(16,310.81)</u>	<u>89.27%</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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12 Notes to the Company's financial statements (Continued)

(1) Accounts receivable (Continued)

(c) Provision for bad debts

For accounts receivable, the Company recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

	31 December 2021	31 December 2020
Provision for bad debts of accounts receivable	<u>18,970.33</u>	<u>30,636.00</u>

(i) As of 31 December 2021 and 31 December 2020, the Company had no accounts receivable with amounts that were individually significant and that the related provision for bad debts was provided on an individual basis.

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

	31 December 2021		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Provision for bad debts on a collective basis			
Group of related parties	79,991,699.77	-	-
Ageing group			
- Not overdue	252,631,614.37	0.01%	18,902.25
- Overdue within 1 year	<u>11,616.04</u>	0.59%	<u>68.08</u>
	<u>332,634,930.18</u>		<u>18,970.33</u>
	31 December 2020		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Provision for bad debts on a collective basis			
Group of related parties	142,642,117.84	-	-
Ageing group			
- Not overdue	74,540,332.04	0.03%	25,558.69
- Overdue within 1 year	<u>433,789.94</u>	1.17%	<u>5,077.31</u>
	<u>217,616,239.82</u>		<u>30,636.00</u>

In 2021, the provisions for bad debts accrued and reversed were RMB 60,419.06 and RMB 72,084.73, respectively.

(d) In 2021 and 2020, the Company had no provision for bad debts written-off.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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12 Notes to the Company's financial statements (Continued)

(2) Other receivables

	31 December 2021	31 December 2020
Individual income tax for stock option exercising	41,366,439.10	-
Deposits and guarantees receivable	2,001,492.96	20,000.00
Petty cash for employees	-	15,000.00
	<u>43,367,932.06</u>	<u>35,000.00</u>
Less: Provision for bad debts	-	-
	<u>43,367,932.06</u>	<u>35,000.00</u>

(a) The ageing of other receivables is analysed as follows:

	31 December 2021	31 December 2020
Within 6 months	43,029,890.06	20,000.00
6 months to 1 year	338,042.00	-
1 to 2 years	-	10,000.00
2 to 3 years	-	5,000.00
	<u>43,367,932.06</u>	<u>35,000.00</u>

(b) Movements in loss provision and their gross carrying amounts

	Stage 1	
	12-month ECL (group)	
	Gross carrying amount	Provision for bad debts
31 December 2020	35,000.00	-
Amounts increased in the current year	43,367,932.06	-
Amounts decreased in the current year	(35,000.00)	-
31 December 2021	<u>43,367,932.06</u>	<u>-</u>

As of 31 December 2021, the Company measured bad debts based on the lifetime ECL. The Company believes that its other receivables are not exposed to significant credit risk and the probability of default is very low.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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12 Notes to the Company's financial statements (Continued)

(2) Other receivables (Continued)

- (c) As of 31 December 2021, other receivables from top five debtors in respect of outstanding balance are analysed as follows:

	Balance	% of total balance	Provision for bad debts
Total amount of other receivables from top five debtors in respect of outstanding balance	19,813,323.16	45.69%	-

(3) Long-term equity investments

	31 December 2021	31 December 2020
Subsidiaries	374,022,621.08	23,667,030.88

	31 December 2020	Movements in the current year		31 December 2021
		Increase in investment	Share-based payments (a)	
3PEAK (Shanghai) LIMITED	-	300,000,000.00	22,588,161.59	322,588,161.59
3PEAK (Chengdu) LIMITED	11,281,918.54	-	8,525,440.02	19,807,358.56
3PEAK Semiconductor (Shanghai) LIMITED	10,470,269.34	-	2,967,024.48	13,437,293.82
3PEAK (Beijing) LIMITED	-	5,000,000.00	5,275,453.48	10,275,453.48
3PEAK (Hangzhou) LIMITED	-	5,000,000.00	999,510.63	5,999,510.63
3PEAK (HONGKONG) LIMITED	1,914,843.00	-	-	1,914,843.00
	23,667,030.88	310,000,000.00	40,355,590.20	374,022,621.08

- (a) In 2021, the Company increased its long-term equity investments of RMB 40,355,590.20 to its subsidiaries by bearing the share-based payments to employees of the subsidiary (Note 4(32)(a)).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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12 Notes to the Company's financial statements (Continued)

(4) Other payables

	31 December 2021	31 December 2020
Payables to related parties	42,000,000.00	-
Payables for purchase of hardware	10,146,274.14	34,200.00
Professional service fees payable	2,136,288.00	1,742,304.21
Daily operating expenses payable	1,132,269.31	740,438.64
Payables for improvements to right-of-use assets	51,190.97	46,406.95
	<u>55,466,022.42</u>	<u>2,563,349.80</u>

As of 31 December 2021 and 31 December 2020, the ageing of the Company's other receivables was within 1 year.

(5) Revenue and cost of sales

	2021	2020
Revenue from main operations	<u>1,324,902,091.66</u>	<u>561,858,900.98</u>
	2021	2020
Cost of sales from main operations	<u>524,505,891.47</u>	<u>220,292,912.14</u>

Revenue and cost of sales from main operations

	2021		2020	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sales of signal chain analogue chips	1,026,906,878.08	376,177,724.19	540,341,068.60	204,959,108.91
Sales of power analogue chips	297,995,213.58	148,328,167.28	21,517,832.38	15,333,803.23
	<u>1,324,902,091.66</u>	<u>524,505,891.47</u>	<u>561,858,900.98</u>	<u>220,292,912.14</u>

3PEAK INCORPORATED

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB Yuan unless otherwise stated)
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1 Statement of non-recurring profit or loss

	2021	2020
Government grants recognised in profit or loss for the current period	14,651,248.49	1,613,145.40
Investment income from structured deposits	59,777,768.49	14,043,037.18
Gains arising from changes in fair value of structured deposits	1,397,951.24	977,928.22
Losses on long-term equity investments under equity method	(767,991.84)	-
Non-operating expenses	(465,966.02)	(49.44)
	<u>74,593,010.36</u>	<u>16,634,061.36</u>
Effect of income tax	(48,757.75)	(238,482.84)
	<u>74,544,252.61</u>	<u>16,395,578.52</u>

Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Securities to the Public - Non-recurring Profit or Loss [2008]* issued by the China Security Regulatory Commission ("CSRC"), non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly relevant to the Company's normal course of business, or that are relevant to normal course of business but are extraordinary and not expected to recur frequently that would have an influence on users of the financial statements making correct economic decisions on the financial performance and profitability of an enterprise.

2 Return on net assets and earnings per share

	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	2021	2021	2021
Consolidated net profit attributable to ordinary shareholders of the Company	15.57%	5.54	5.53
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	12.95%	4.61	4.60
	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	2020	2020	2020
Consolidated net profit attributable to ordinary shareholders of the Company	21.37%	2.83	2.83
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	19.47%	2.58	2.58