Application Proof of

Suzhou Dongshan Precision Manufacturing Co., Ltd.

蘇州東山精密製造股份有限公司

(the "**Company**")

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

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Suzhou Dongshan Precision Manufacturing Co., Ltd.
蘇州東山精密製造股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of Hong Kong [REDACTED]	:	**[REDACTED] H Shares (subject to [REDACTED])**
Number of International [REDACTED]	:	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
[REDACTED]	:	**[REDACTED]**

Joint Sponsors, **[REDACTED]**

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[REDACTED]

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[REDACTED]

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the **[REDACTED]**.

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

OVERVIEW

Who We Are

We are a company specializing in intelligent manufacturing with a global mindset and presence. We provide advanced products and solutions to leading technology companies worldwide, ultimately enabling the connection of people, devices and infrastructure. Our strong technical capabilities underpin the development of PCBs, optical transceivers, precision components and touch panels and LCMs that we design, manufacture and sell across the globe. The global PCB market is highly competitive and fragmented, with the top 10 players accounting for 37.4% of the total market share. We are the world's largest PCB supplier for edge AI devices, primarily smartphones, PCs, automotive and industrial and IoT equipment where AI models are run locally at or near the point of data generation rather than relying primarily on cloud-based processing. We had a 26.9% share of the PCB for edge AI devices market in 2025, according to CIC. We are also rapidly expanding our capabilities into the data center end market, strengthening our capabilities to support deployment of AI across data center and the edge and thereby advancing the transformation towards an intelligent and connected era.

Our dedication to innovation, continuous improvement and operational excellence since the beginning of our journey has enabled us to achieve leadership in our core product areas. According to CIC, we are the largest PCB supplier for edge AI devices with a market share of 26.9%, the second-largest FPC supplier with a market share of 24.5% and a top three PCB supplier globally by revenue with a market share of 4.2% in 2025.

We have a diversified portfolio built around our core customers. Our PCBs, optical transceivers, precision components, and touch panels and LCMs are widely used in consumer electronics, automobiles, data centers, telecommunications equipment and industrial control devices. We leverage synergies across R&D, engineering, supply chain and operations to deliver comprehensive solutions for our customers, and we are offer an extensive multi-product portfolio to leading global technology companies. Moreover, according to CIC, we are the only supplier in the world with capabilities across PCBs, optical chips and optical transceivers, which together represent approximately 9-14% of an AI server's bill of material cost, second only to GPUs in most AI servers, enhancing our competitive position into the high-growth data center end market.

Within our diversified product portfolio, our products with long-standing track record, including PCBs, precision components, touch panels and LCMs, serve the consumer electronics, automotive and telecommunications end markets and provide a stable and resilient revenue and cashflow. These businesses form the foundation of our operations and support the sustainability of our overall performance. In parallel, our optical transceivers and AI PCBs targeting the AI and data-center end-markets, represent our primary growth engine, with the demand driven by the accelerating global built-out of AI-related infrastructure.

The increasing penetration of AI-enabled devices at the edge, together with the ongoing electrification of vehicles and the upgrade of in-vehicle infotainment systems, is expected to support continued growth in content value and demand across our products with long-standing track record. Meanwhile, according to CIC, major hyperscalers in the United States and China are expected to materially increase their capital expenditure, by approximately 60% to 70%, in 2026, driving the demand for our optical transceiver and AI PCB products.

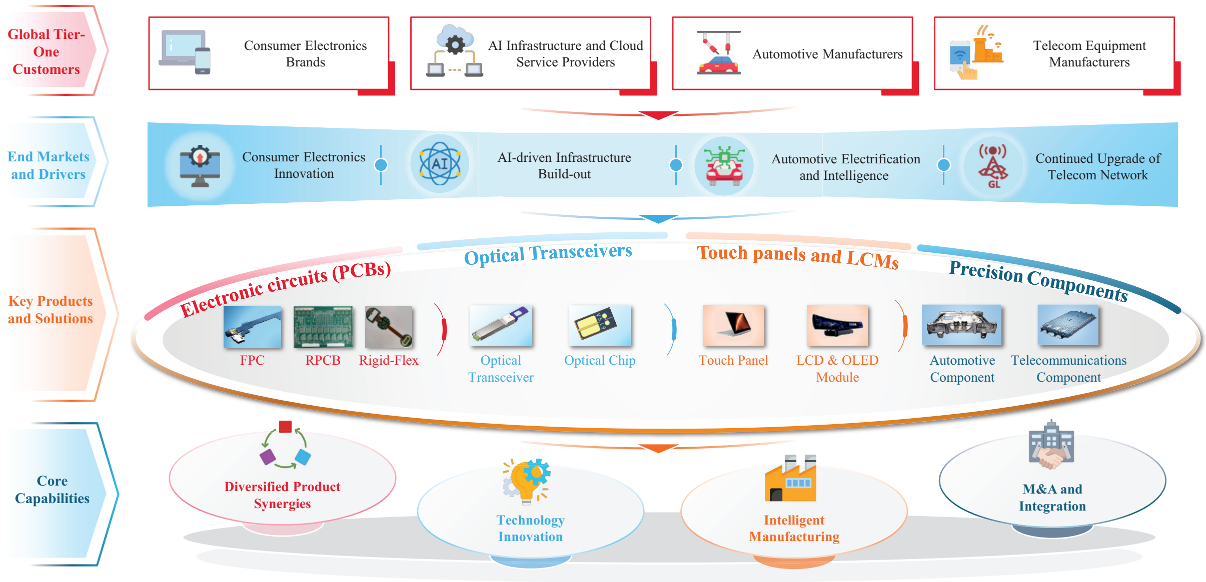
Our strategies have translated into deep, long-term relationships with leading global brands. We are a long-standing partner to four of the world's top five consumer electronics brands, as well as the top five EV manufacturers and four of the top five cloud service providers. We work closely with customers in the early stages of their product design processes, which enables us to build long-term trusted customer relationships and gains insight into latest industry developments and technological trends. Together with our intelligent manufacturing capabilities and global footprint, this approach is critical to meeting our customers' stringent requirements to ensure product quality, delivery efficiency and supply chain resilience.

We have been focusing on expanding our global manufacturing presence whilst enhancing regionalized operations and service capabilities that address our customers' evolving needs. Our recent acquisition of GMD, a European automotive components supplier, further exemplifies this strategy, where we will apply our manufacturing expertise to localized operations to deliver best-in-class service to an expanded customer base. In 2025, 81.4% of our revenue came from outside the Chinese mainland. As of the Latest Practicable Date, we had production facilities across 14 countries and regions in Asia, North America, Europe and Africa, with overseas employees representing approximately 20% of our total headcount.

At the same time, through investment in R&D and strategic M&A, we have built substantial know-how and capabilities in key technologies, including deep-via micro-drilling and ultra-fine line processing for FPC, high-layer-count PCB and high-build-up HDI used in GPUs, AI accelerator cards and data center switches, metal-mesh touch, automotive LCMs, brazing of die-cast components and design and manufacturing of optical chips and optical transceivers. As of December 31, 2025, our R&D personnel accounted for approximately 12.9% of our total workforce, placing us in a competitive position in the global PCB industry and reflecting our strong focus on innovation. We continuously digitalize and automate our facilities to push the limits of advanced processes in intelligent manufacturing.

Our Products

Our products include PCBs, optical transceivers, precision components, and touch panels and LCMs. We provide distinctive and comprehensive solutions by leveraging technological innovation and advanced manufacturing and creating synergies across product, R&D, technology, supply chain and sales. The following highlights our main products and solutions and their respective applications.



- *PCBs*: Our PCB products include FPC, RPCB and Rigid-Flex for consumer electronics, automotive, data centers and AI servers and telecommunications equipment. According to CIC, we have been the second-largest global FPC supplier and a top-three PCB supplier by revenue for five consecutive years since 2021. We serve leading global consumer electronics manufacturers, automakers and cloud service providers. Through these partnerships, we have built deep technical and process capabilities that reinforce our competitive advantage.

- *Optical Transceivers*: Through Source Photonics, a leading global provider of optical transceivers, we have built in-house optical chip capabilities centered on high-speed EML chips with transmission rates from 2.5G to 200G. We currently focus on commercializing high-end 100G and 200G PAM4 EML chips, while advancing the development of next-generation technologies such as 400G EML chips and high-power CW light sources. In addition, We offer optical transceivers from 10G to 1.6T and are developing next-generation transceivers of 3.2T or higher. According to CIC, Source Photonics is one of the only three companies across the globe with vertically integrated in-house capabilities that extend from the design to the manufacturing and packaging of optical chips and transceivers, and is also among the few companies in the Chinese mainland with mass production capabilities for 100G and 200G optical chips. Its products serve a wide range of data center and telecommunications applications, creating a unique advantage that combines AI PCB with optical transceiver, positioning us as an integrated supplier of critical enabling technologies in the AI ecosystem.

- *Precision Components*: Our precision components primarily include automotive components and telecommunications equipment components. We have leading capabilities in precision components for the automotive and telecommunications industries. Over the past decade, we have extended our R&D and manufacturing capabilities developed in telecommunications components into automotive, broadening downstream applications and establishing long-term partnerships with major automakers worldwide and laying a solid foundation for further growth.

- *Touch Panels and LCMs*: We offer touch panels and LCD and OLED modules used in automobiles, smartphones, tablets, laptops, industrial control devices and smart home applications. Building on years of experience in consumer touch displays, we have expanded into in-vehicle displays in 2023, where our proven technology and commercial execution continue to provide a strong platform for growth.

RESEARCH AND DEVELOPMENT

We consistently invest in research and development to expand our product portfolio, seize new market opportunities and strengthen our competitive edge in meeting the demands of leading global brands.

Due to the customized nature of our products, our R&D is often carried out in close collaboration with customers based on their customization requirements and end product designs. We have enhanced our R&D efforts by advancing new materials, design innovations and process technologies. These advancements have resulted in a series of significant breakthroughs, earning us the trust of leading global companies as a reliable and innovative supplier.

Our Customers

Our customers are mainly global brands in the consumer electronics, telecommunications and automotive industries. In 2023, 2024 and 2025, sales to our five largest customers amounted to RMB24,734.5 million, RMB26,122.3 million and RMB25,814.1 million, accounting for 73.5%, 71.0% and 64.4% of our total revenue in the respective years. Customer A, our top customer in each year during the Track Record Period, contributed to 55.8%, 51.3% and 46.5% of our revenue respectively in 2023, 2024 and 2025, respectively.

Relationship with Customer A

During the Track Record Period, Customer A, our top customer in each year during the Track Record Period, contributed to 55.8%, 51.3% and 46.5% of our revenue respectively in 2023, 2024 and 2025, respectively. Our strategic and mutually beneficial relationship with Customer A began over 10 years ago and has grown significantly since our acquisition of MFLEX in 2016, which established us as a leading global supplier of FPCs. Customer A, a global leader in consumer electronics, uses our FPC products to support the development of their high-performance devices, such as smartphones, tablets and wearables.

According to CIC, the consumer electronics market is highly concentrated, particularly among top-tier brands. As a result, suppliers to premium consumer electronics brands often have a concentrated customer base. Over the years, we have been actively involved in the product development of Customer A's signature products, providing critical technological solutions that align with their innovation and functionality requirements. Our proven ability to consistently meet Customer A's stringent standards for quality, performance and timely delivery has established us as a trusted partner in their supply chain.

Going forward, we believe the likelihood of any material adverse change in or termination of our business relationship with Customer A is low because of the long-term, mutually beneficial nature of our relationship and the extensive and rigorous supplier approval and qualification process that Customer A requires, covering aspects such as ESG compliance, corporate governance, and operational standards. This remains the case notwithstanding reports that Customer A would shift the production of certain products from the Chinese Mainland to other countries. We believe this trend is unlikely to result in a material adverse change to our relationship with Customer A, primarily because our sales are driven by Customer A's product demand and our ability to meet its specifications and delivery requirements, rather than the geographical location of final assembly.

During the Track Record Period, the proportion of our shipments to Customer A by revenue delivered to manufacturing locations outside the Chinese Mainland has been increased steadily, demonstrating our ability to support Customer A's evolving supply chain footprint, and we have not incurred material additional costs or experienced material disruption in fulfilling Customer A's orders as a result of changes in production location. During the Track Record Period and up to the Latest Practicable Date, there were no material incidents of failure to renew the relevant sales agreements with Customer A, or any material reduction, delay or cancellation of orders from Customer A. See "Business — Our Customers — Relationship with Certain Top Customers" for further detail.

Our Suppliers

Our suppliers are mainly suppliers of raw materials and equipment. We have established and maintain stable and long-term relationships with these major suppliers. In 2023, 2024 and 2025, purchases from our five largest suppliers amounted to RMB5,975.4 million, RMB6,214.4 million and RMB5,737.5 million, accounting for 25.8%, 26.1% and 21.9% of our total purchases in the respective years. In 2023, 2024 and 2025, purchases from our largest supplier amounted to RMB2,034.5 million, RMB1,674.4 million and RMB1,463.8 million, accounting for 8.8%, 7.0% and 5.6% of our total purchases in the respective years. See "Business — Sales and Marketing — Our Suppliers" for further details.

PRODUCTION AND MANUFACTURING

As of the Latest Practicable Date, we operate production facilities across 14 countries and regions in Asia, North America, Europe and Africa. We are actively expanding new production lines and facilities globally. Source Photonics has production facilities in Taiwan, Changzhou and Chengdu. We have successfully integrated intelligent manufacturing across multiple aspects of our production processes for different products, leading to significant improvements in efficiency, product yields and overall operational performance.

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to drive our future growth including our leadership in high-growth markets supported by our strategic focus on AI from the edge to data center, our partnerships with tier-one customers that enable broader coverage and greater value creation, our globalization strategy combining global scale with local execution, our market-driven technology and R&D capabilities with a proven track record, our AI-powered and data-driven intelligent manufacturing processes, our proven playbook for strategic M&A and step-change growth, and our visionary management team with a global perspective.

OUR GROWTH STRATEGIES

We will pursue the following strategies to drive further growth including staying close to customer demand and accelerating time to market, expanding regionalized capacity to serve a dynamic global market, pursuing strategic M&A supported by integration capabilities and industry insight, continuing to invest in technology R&D and intelligent manufacturing to scale AI-driven operations, and strengthening our global talent pipeline through the attraction, development and integration of talent.

COMPETITION

According to CIC, the markets in which we operate in are highly competitive, especially for PCB, precision component and optoelectronic display. To maintain and grow our business, we must continue to meet our customers' requirements and deliver differentiated, high-performance products that meet their evolving needs. If we are unable to keep pace with such advancements or fail to differentiate our products in terms of quality or cost, we risk losing market share to our competitors.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of financial data from our consolidated financial information during the Track Record Period. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements as set out in the Accountants' Report in Appendix IA and IB to this Document, including the related notes. Our consolidated financial information was prepared in accordance with the IFRS Accounting Standards.

Results of Operations

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Revenue	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**
Cost of sales	(28,970,998)	(86.1)	(32,553,696)	(88.5)	(35,160,571)	(87.6)
Gross profit	**4,680,207**	**13.9**	**4,216,678**	**11.5**	**4,964,288**	**12.4**
General and administrative expenses	(1,124,729)	(3.3)	(1,312,533)	(3.6)	(1,562,557)	(3.9)
Selling and marketing expenses	(362,094)	(1.1)	(454,018)	(1.2)	(445,146)	(1.1)
Research and development expenses	(1,161,190)	(3.5)	(1,266,813)	(3.4)	(1,417,227)	(3.5)
Net impairment losses on financial assets	(39,437)	(0.1)	(44,110)	(0.1)	(63,743)	(0.2)
Other income	249,882	0.7	523,256	1.4	362,768	0.9
Other gains, net	243,190	0.7	8,479	0.0	76,346	0.2
Operating profit	**2,485,829**	**7.4**	**1,670,939**	**4.5**	**1,914,729**	**4.8**
Finance income	225,594	0.7	243,072	0.7	200,834	0.5
Finance costs	(500,195)	(1.5)	(445,902)	(1.2)	(424,225)	(1.1)
Finance costs, net	(274,601)	(0.8)	(202,830)	(0.6)	(223,391)	(0.6)
Share of net losses of investments in associates	(10,821)	0.0	(398)	0.0	(922)	0.0
Impairment provision for investments in associates	(9,319)	0.0	–	–	0.0	0.0
Profit before income tax	**2,191,088**	**6.5**	**1,467,711**	**4.0**	**1,690,416**	**4.2**
Income tax expense	(226,038)	(0.7)	(382,651)	(1.0)	(297,449)	(0.7)
Profit for the year	**1,965,050**	**5.8**	**1,085,060**	**3.0**	**1,392,967**	**3.5**

Revenue

During the Track Record Period, we generated revenue from the following operating segments: (i) electronic circuits (PCBs), including FPCs, RPCBs and Rigid-Flexes; (ii) precision components, including automotive components and telecommunications equipment components; (iii) touch panels and LCMs, including touch panels and LCD and OLED modules; (iv) optical transceiver, including data center transceiver and telecommunications transceiver and (v) others, which primarily include the sales of LED display products, raw and scrap materials and other ancillary businesses.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Electronic circuits (PCBs)	23,261,396	69.1	24,800,814	67.4	25,620,293	63.9
FPC	20,103,622	59.7	21,589,392	58.7	21,875,481	54.5
RPCB	2,845,766	8.5	2,842,974	7.7	3,228,771	8.0
Rigid-Flex	312,008	0.9	368,448	1.0	516,041	1.4
Precision components	4,162,217	12.4	4,540,319	12.3	5,930,242	14.8
Automotive component	2,942,208	8.7	3,289,989	8.9	5,166,701	12.9
Telecommunications equipment component	1,220,009	3.7	1,250,330	3.4	763,541	1.9
Touch panels and LCMs	4,861,904	14.4	6,369,925	17.3	5,985,629	14.9
Touch panel	1,646,294	4.8	2,211,679	6.0	2,445,030	6.1
LCD & OLED module	3,215,610	9.6	4,158,246	11.3	3,540,599	8.8
Optical transceiver[1]	–	–	–	–	1,435,535	3.6
Data center transceiver	–	–	–	–	1,207,623	3.0
Telecommunications transceiver	–	–	–	–	227,912	0.6
Others	1,365,688	4.1	1,059,316	3.0	1,153,160	2.8
Total	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**

Note:

(1) Revenue of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements in October, 2025.

During the Track Record Period, electronic circuits were our largest revenue contributor. As we continue to capitalize on our unique capability in providing PCBs for end-to-cloud AI applications from data centers to the edge, we expect the sales of PCBs will continue to grow and remain a key revenue contributor. We also provide precision components, touch panels and LCMs and optical transceiver to address customers' diverse needs and have maintained strong relationships with our key customers.

By geographical location – incorporation place of customers*

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Chinese Mainland (excluding special supervision territory[1])	**5,649,268**	**16.8**	**6,187,309**	**16.8**	**7,459,673**	**18.6**
Outside Chinese Mainland	**28,001,937**	**83.2**	**30,583,065**	**83.2**	**32,665,186**	**81.4**
Hong Kong, Macao and Taiwan	2,454,995	7.3	2,789,416	7.6	3,429,841	8.5
United States	19,333,742	57.5	18,953,041	51.5	20,386,493	50.8
Special supervision territory in China	1,388,763	4.1	1,683,218	4.6	1,061,763	2.6
Japan	2,534,156	7.5	3,283,851	8.9	2,853,017	7.1
Other countries in Asia	949,949	2.8	1,295,425	3.5	1,701,994	4.2
Europe and Others	1,340,332	4.0	2,578,114	7.1	3,232,078	8.1
Total	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**

Note:

* Information about our revenue from customers is presented based on customers' place of incorporation

(1) Special supervision territory in China refers to a specific geographical area in China, including geographically enclosed areas such as bonded zones and free trade zone. To arrange sales to the Special Supervision Territory lies in leveraging the territory's preferential customs and tax policies, while the territory is carved out from China for separate disclosure due to its distinct regulatory framework and customs clearance rules that differ from those applicable to other regions of China.

By geographical location – place of shipments

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Chinese Mainland (excluding special supervision territory)	5,704,619	17.0	6,078,549	16.5	7,443,932	18.6
Outside Chinese Mainland(1)	27,946,586	83.0	30,691,825	83.5	32,680,927	81.4
Special supervision territory in China	20,064,192	59.6	21,029,810	57.2	20,129,223	50.2
United States	2,069,909	6.1	2,842,678	7.7	3,348,867	8.3
Hong Kong, Macao and Taiwan	861,552	2.6	1,107,378	3.0	1,095,205	2.7
India	1,314,755	3.9	1,608,610	4.4	876,385	2.2
Vietnam	606,782	1.8	1,216,162	3.3	2,444,661	6.1
Other countries in Asia	1,205,350	3.6	1,151,312	3.2	1,250,750	3.1
Europe and others	1,824,046	5.4	1,735,875	4.7	3,535,836	8.8
Total	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**

Note:

(1) Special supervision territory in China refers to a specific geographical area in China, including geographically enclosed areas such as bonded zones and free trade zone. To arrange sales to the Special Supervision Territory lies in leveraging the territory's preferential customs and tax policies, while the territory is carved out from China for separate disclosure due to its distinct regulatory framework and customs clearance rules that differ from those applicable to other regions of China.

During the Track Record Period, a majority of our revenue was from customers outside the Chinese mainland. As we continue to serve a global customer base, we expect sales to customers outside the Chinese mainland remain a key revenue contributor going forward.

Sales Volume and Average Selling Prices

	Year Ended December 31,					
	2023		2024		2025	
	Sales volume(1)	**Average selling price**(2)	**Sales volume**(1)	**Average selling price**(2)	**Sales volume**(1)	**Average selling price**(2)
	('000 sq. m./unit)	*(RMB / sq. m./ unit)*	*('000 sq. m./unit)*	*(RMB / sq. m./ unit)*	*('000 sq. m./unit)*	*(RMB / sq. m./ unit)*
Electronic circuits (PCBs)	3,978.9	5,846.1	5,544.3	4,473.2	6,693.5	3,827.6
FPC	2,877.3	6,987.0	4,314.1	5,004.4	5,128.8	4,265.2
RPCB	1,032.9	2,755.1	1,163.9	2,442.6	1,481.4	2,179.5
Rigid-Flex	68.7	4,537.6	66.3	5,553.9	83.3	6,195.0
Precision components	106,339.8	39.1	142,829.0	31.8	183,720.2	32.3
Automotive component	101,821.9	28.9	137,125.2	24.0	180,230.0	28.7
Telecommunications equipment component	4,517.9	270.0	5,703.8	219.2	3,490.2	218.8
Touch panels and LCMs	26,663.7	182.3	31,785.4	200.4	27,445.6	218.1
Touch panel	4,110.4	400.5	4,877.8	453.4	5,395.2	453.2
LCD & OLED module	22,553.3	142.6	26,907.6	154.5	22,050.4	160.6
Optical transceiver(3)	–	–	–	–	2,793.3	513.9
Data center transceiver	–	–	–	–	896.8	1,346.6
Telecommunications transceiver	–	–	–	–	1,896.5	120.2

Note:

(1) Sales volume are measured using the following units for each product category: electronic circuit products are measured by the aggregate area of specific product types in square meters (m^2), representing the total area of PCBs produced; precision component, touch panel and LCM and optical transceiver products are measured in units, representing the total number of finished components or assemblies.

(2) Average selling price is calculated by dividing the revenue in a given product category by the corresponding sales volume.
(3) Sales volume and average selling prices of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements in October, 2025.

The sales volume of electronic circuits increased throughout the Track Record Period, mainly driven by the strong downstream demand in consumer and automotive electronics. The sales volume of precision components increased throughout the Track Record Period, mainly attributable to increased orders and capacity expansion, as well as a broader product portfolio, for automotive components.

During the Track Record Period, the average selling prices of our products fluctuated primarily in response to product mix adjustments, market demand dynamics and customer specification requirements. Our average selling prices for electronic circuits (PCBs) were RMB5,846.1, RMB4,473.2 and RMB3,827.6 per square meter in 2023, 2024 and 2025, respectively. Our average selling prices for precision components were RMB39.1, RMB31.8 and RMB32.3 per unit for the corresponding years. Our average selling prices for optoelectronic display products were RMB182.3, RMB200.4 and RMB218.1 per unit for the corresponding years. The changes in average selling prices were primarily attributable to shifts in market demand and changes in product mix.

For detailed analysis on our results of operations, please see "Financial Information — Period-to-Period Comparison of Results of Operations."

Cost of Sales

Our cost of sales primarily consists of (i) raw materials costs, (ii) labor costs and (iii) depreciation and amortization. During the Track Record Period, our cost structure remained stable, with raw material costs constituting the largest component.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Raw material costs	22,000,279	75.9	24,609,326	75.6	26,073,628	74.2
Labor costs	2,781,864	9.6	3,066,899	9.4	3,699,332	10.5
Depreciation and amortization	1,464,854	5.1	1,750,630	5.4	2,216,798	6.3
Utility costs	430,961	1.5	447,675	1.4	541,117	1.5
Others	2,293,040	7.9	2,679,166	8.2	2,629,696	7.5
Total	**28,970,998**	**100.0**	**32,553,696**	**100.0**	**35,160,571**	**100.0**

Gross Profit and Gross Profit Margin

By product category

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Electronic circuits (PCBs)	4,715,951	20.3	4,440,360	17.9	4,268,623	16.7
FPC	4,079,160	20.3	3,830,957	17.7	3,536,560	16.2
RPCB	565,371	19.9	520,832	18.3	592,636	18.4
Rigid-Flex	71,420	22.9	88,571	24.0	139,427	27.0
Precision components	394,086	9.5	482,259	10.6	435,758	7.3
Automotive component	322,405	11.0	451,520	13.7	489,108	9.5
Telecommunications equipment component	71,681	5.9	30,739	2.5	(53,350)	(7.0)

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Touch panels and LCMs	(116,538)	(2.4)	143,094	2.2	271,913	4.5
Touch panel	(130,853)	(7.9)	53,957	2.4	86,979	3.6
LCD & OLED module	14,315	0.4	89,137	2.1	184,934	5.2
Optical transceiver[(2)]	–	–	–	–	527,621	36.8
Data center transceiver	–	–	–	–	476,617	39.5
Telecommunications transceiver	–	–	–	–	51,004	22.4
Others	(313,292)	(22.9)	(849,035)	(80.1)	(539,627)	(46.8)
Total/Overall[(1)]	**4,680,207**	**13.9**	**4,216,678**	**11.5**	**4,964,288**	**12.4**

Notes:

(1) The overall gross margin is calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(2) Gross profit and gross profit margin of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements in October, 2025.

Our gross profit and gross profit margin increased from 2024 to 2025, primarily due to increases in revenue from acquisition of Source Photonics and sales of RPCBs and Rigid-Flexes and margin improvement in touch panels and LCMs. Our gross profit and gross profit margin decreased from 2023 to 2024, primarily due to lower gross profit in telecommunications equipment components and higher losses in others that mainly attributable to LED display products.

For certain years during the Track Record Period, we experienced a decrease in gross profit and gross profit margin, in our FPC products and incurred a gross loss in the touch panels and LCMs segments. Our gross profit and gross profit margin from the sale of FPCs declined from 2023 to 2024, mainly attributable to yield variability and increased manufacturing costs associated with the ramp-up of new consumer electronics products. Our gross losses recorded in 2023 in the touch panels and LCMs segment were mainly driven by the gross losses in touch panels in 2023 due to significant price declines amid industry-wide destocking driven by weaker demand in consumer electronics and lower capacity utilization, which increased fixed costs per unit.

As a result of the cumulative effects of the changes in our revenue, cost of sales and various expenses, our profit for the year decreased by 44.8% from RMB1,965.1 million in 2023 to RMB1,085.1 million in 2024. Our profit for the year increased by 28.4% from RMB1,085.1 million in 2024 to RMB1,393.0 million in 2025. For detailed analysis on our results of operations, please see "Financial Information — Period-to-Period Comparison of Results of Operations."

Summary of consolidated statements of financial position

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(in RMB thousands)			*(unaudited)*
Total non-current assets	**21,363,009**	**22,895,957**	**31,623,021**	**32,375,968**
Total current assets	**22,445,744**	**22,677,792**	**28,627,517**	**30,760,977**
Total current liabilities	**18,027,212**	**19,118,077**	**28,452,678**	**28,238,904**
Total non-current liabilities	**7,591,184**	**7,569,569**	**10,096,021**	**12,005,391**
Net current assets	**4,418,532**	**3,559,715**	**174,839**	**2,522,073**
Net assets	**18,190,357**	**18,886,103**	**21,701,839**	**22,892,650**

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(in RMB thousands)			*(unaudited)*
Equity attributable to owner of the Company				
Share capital	1,709,867	1,705,914	1,831,608	1,831,608
Treasury shares	(125,907)	(74,992)	(175,076)	(125,085)
Other reserves	7,533,971	7,907,421	9,266,211	9,282,879
Retained earnings	9,025,096	9,288,044	10,538,406	11,669,995
Non-controlling interests	47,330	59,716	240,690	233,253
Total equity	**18,190,357**	**18,886,103**	**21,701,839**	**22,892,650**

Our net current assets decreased from RMB4,418.5 million as of December 31, 2023 to RMB3,559.7 million as of December 31, 2024, primarily due to an increase in trade and notes payables, partially offset by a decrease in borrowings and an increase in other current assets. Our net current assets decreased from RMB3,559.7 million as of December 31, 2024 to RMB174.8 million as of December 31, 2025, primarily due to an increase in trade and an increase in notes payables and accruals and other payables, partially offset by an increase in inventories and an increase in trade and notes receivables, arising from the acquisition of Source Photonics and GMD. See "Financial Information — Liquidity and Capital Resources — Indebtedness" for further details.

Our net assets increased to RMB18,190.4 million as of December 31, 2023, primarily due to our profit for the year of RMB1,965.1 million in 2023, partially offset by our dividends paid of RMB187.4 million. Our net assets further increased to RMB18,886.1 million as of December 31, 2024, primarily due to our profit for the year of RMB1,085.1 million in 2024, partially offset by our dividends paid of RMB425.3 million and repurchase of shares of RMB25.0 million. Our net assets further increased to RMB21,701.8 million as of December 31, 2025, primarily due to our net profit for the year of RMB1,393.0 million in 2025, partially offset by our dividend paid of RMB118.8 million and repurchase of shares of RMB100.1 million. For further details, see "Consolidated Statements of Changes in Equity" in "Appendix IA — Accountants' Report of the Group."

See "Consolidated Statements of Financial Position" in "Appendix IA — Accountants' Report of the Group."

Summary of consolidated statements of cash flows

	Year Ended December 31,		
	2023	2024	2025
	(in RMB thousands)		
Cash flows from operating activities			
Cash generated from operations	5,077,989	4,979,671	4,968,075
Interest received	210,139	243,072	200,834
Income tax paid	(247,460)	(244,094)	(266,579)
Net cash generated from operating activities	**5,040,668**	**4,978,649**	**4,902,330**
Net cash used in investing activities	(4,707,153)	(4,086,316)	(7,878,380)
Net cash generated from/(used in) financing activities	(242,546)	(1,319,368)	3,749,395
Net increase/(decrease) in cash and cash equivalents	**90,969**	**(427,035)**	**773,345**
Cash and cash equivalents at beginning of the year	5,457,027	5,644,487	5,343,600
Effects of exchange rate changes on cash and cash equivalents	96,491	126,148	(12,222)
Cash and cash equivalents at end of the year	**5,644,487**	**5,343,600**	**6,104,723**

In 2023, 2024 and 2025, we recorded net cash from operating activities of RMB5,040.7 million, RMB4,978.6 million and RMB4,902.3 million, respectively, primarily due to the profits we generated in each of the respective years.

In 2025, we had net cash generated from operations of RMB4,902.3 million. This was primarily attributable to our profit before income tax of RMB1,690.4 million, adjusted for items mainly including (i) non-operating and non-cash items, primarily comprising (a) depreciation and amortization of non-current assets of RMB2,519.4 million, (b) impairment provision for inventories of RMB580.7 million and (c) net foreign exchange gains of RMB27.4 million, and (ii) changes in working capital, primarily comprising (a) a decrease in receivables of RMB3,142.8 million, (b) an increase in payables of RMB3,540.7 million and (c) an increase in inventories of RMB504.5 million.

In 2024, we had net cash generated from operating activities of RMB4,978.6 million. This was primarily attributable to our profit before income tax of RMB1,467.7 million, adjusted for items mainly including (i) non-operating and non-cash items, primarily comprising (a) depreciation and amortization of non-current assets of RMB2,558.7 million, (b) impairment provision for inventories of RMB454.7 million and (c) net foreign exchange gains of RMB294.7 million, and (ii) changes in working capital, primarily comprising (a) an increase in receivables of RMB446.0 million, (b) an increase in inventories of RMB463.4 million and (c) an increase in payables of RMB706.3 million.

In 2023, we had net cash generated from operating activities of RMB5,040.7 million. This was primarily attributable to our profit before income tax of RMB2,191.1 million, adjusted for items mainly including (i) non-operating and non-cash items, primarily comprising (a) depreciation and amortization of non-current assets of RMB2,249.4 million, (b) finance cost of RMB464.9 million and (c) net foreign exchange gains of RMB129.9 million and (ii) changes in working capital, primarily comprising (a) an increase in payables of RMB401.5 million, (b) a decrease in receivables of RMB268.3 million and (c) an increase in inventories of RMB528.2 million.

See "Financial Information — Liquidity and Capital Resources — Cash Flows."

Summary of Financial Information of Source Photonics

This historical financial information contained and discussed in "Financial Information" presents the historical information of Source Photonics the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025.

Selected Results of Operations

	Year ended December 31,		Nine months ended September 30,	
	2023	2024	2024	2025
	(*in RMB thousands*)		(*unaudited*)	
Revenue	1,305,145	2,945,332	1,890,076	3,627,515
Gross profit	248,399	879,083	489,090	1,009,834
Profit/(loss) before income tax	(85,951)	1,133,222	914,301	560,795
Profit/(loss) for the year/period	(90,369)	1,050,454	880,309	475,256

For detailed analysis on Source Photonics' results of operations, please see "Financial Information of Source Photonics — Period-to-Period Comparison of Results of Operations."

Certain consolidated statement of financial position

	As of December 31,		As of September 30,
	2023	2024	2025
	(*in RMB thousands*)		
Total non-current assets	861,206	985,918	1,306,706
Total current assets	1,420,964	2,115,063	3,062,902
Total assets	**2,282,170**	**3,100,981**	**4,369,608**
Total current liabilities	4,137,541	1,979,412	2,317,532
Total non-current liabilities	166,234	138,322	571,615
Total liabilities	**4,303,775**	**2,117,734**	**2,889,147**
Net current (liabilities)/assets	**(2,716,577)**	**135,651**	**745,370**
Total equity	**(2,021,605)**	**983,247**	**1,480,461**

Source Photonics' net current liabilities increased from RMB2,716.6 million as of December 31, 2023 to net current assets of RMB135.7 million as of December 31, 2024, primarily due to a decrease in financial liabilities at fair value through profit or loss. Source Photonics' net current assets increased from RMB135.7 million as of December 31, 2024 to RMB745.4 million as of September 30, 2025, primarily due to an increase in inventories and trade receivables and a decrease in convertible bond, partially offset by an increase in trade payables and borrowings.

Source Photonics' net assets decreased to RMB(2,021.6) million as of December 31, 2023, primarily due to the loss for the year of RMB90.4 million in 2023, partially offset by share-based compensation expenses of RMB26.5 million. Source Photonics' net assets increased to RMB983.2 million as of December 31, 2024, primarily due to the profit for the year of RMB1,050.5 million in 2024, partially offset by other comprehensive loss of RMB50.5 million. Source Photonics' net assets increased to RMB1,480.5 million as of September 30, 2025, primarily due to the profit for the period of RMB475.3 million and other comprehensive income of RMB40.1 million in the nine months ended September 30, 2025.

See "Consolidated Statements of Financial Position" in "Appendix IB — Accountants' Report of the Source Photonics Group."

Summary of consolidated statements of cash flows

	Year Ended December 31,		Nine Months Ended September 30,	
	2023	2024	2024	2025
	(*in RMB thousands*)			
			(*unaudited*)	
Net cash generated from operating activities	77,784	318,836	189,723	409,154
Net cash used in investing activities	(186,335)	(195,376)	(110,182)	(400,188)
Net cash generated from/(used in) financing activities	195,015	(111,579)	(145,057)	43,847
Net increase in cash and cash equivalents	86,464	11,881	(65,516)	52,813
Cash and cash equivalents at beginning of year	186,812	213,914	213,914	252,047
Effect of foreign exchange rate changes	(59,362)	26,252	(6,747)	(29,129)
Cash and cash equivalents at the end of year/period	213,914	252,047	141,651	275,731

In 2023, 2024 and the nine months ended September 30, 2025, Source Photonics recorded net cash from operating activities of RMB77.8 million, RMB318.8 million and RMB409.2 million, respectively, primarily due to the profits we generated in each of the respective periods.

For the nine months ended September 30, 2025, Source Photonics had net cash generated from operating activities of RMB409.2 million, primarily comprising of Source Photonics' profit before income tax of RMB560.8 million, adjusted for non-operating and non-cash items mainly including (i) depreciation and amortization of non-current assets of RMB119.4 million, (ii) finance costs of RMB26.9 million, partially offset by (iii) net foreign exchange losses of RMB9.9 million. This amount was further affected by changes in working capital, including (i) an increase in inventories of RMB397.1 million and (ii) an increase in receivables of RMB557.6 million, partially offset by an increase in payables of RMB598.9 million.

In 2024, Source Photonics had net cash generated from operating activities of RMB318.8 million, primarily comprising of Source Photonics' profit before income tax of RMB1,133.2 million, adjusted for non-operating and non-cash items mainly including (i) depreciation and amortization of non-current assets of RMB115.1 million, (ii) finance costs of RMB28.4 million, partially offset by (iii) net foreign exchange gains of RMB20.6 million. This amount was further affected by changes in working capital, including (i) an increase in payables of RMB431.1 million, partially offset by (ii) an increase in receivables of RMB414.2 million and (iii) an increase in inventories of RMB329.1 million.

In 2023, Source Photonics had net cash generated from operating activities of RMB77.8 million, primarily comprising of Source Photonics' loss before income tax of RMB86.0 million, adjusted for non-operating and non-cash items mainly including (i) depreciation and amortization of non-current assets of RMB106.3 million, (ii) finance costs of RMB52.9 million, partially offset by (iii) net foreign exchange gains of RMB18.8 million. The amount was further affected by changes in working capital, including (i) an increase in payables of RMB142.6 million, partially offset by (ii) an increase in receivables of RMB94.1 million and (iii) an increase in inventories of RMB114.1 million.

See "Financial Information of Source Photonics — Cash Flows."

KEY FINANCIAL RATIOS

	Year Ended/As of December 31,		
	2023	2024	2025
	%	%	%
Gross margin[(1)]	13.9	11.5	12.4
Net profit margin[(2)]	5.8	3.0	3.5
Debt ratio[(3)]	58.5	58.6	64.0

Notes:

(1) Gross margin was calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(2) Net profit margin was calculated as net profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(3) Debt ratio was total liabilities divided by total assets as of the relevant date and multiplied by 100%.

RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, the equity interest of our Company was controlled directly as to approximately 16.53% by Mr. Yuan Yonggang (袁永剛), approximately 13.51% by Mr. Yuan Yongfeng (袁永峰, the elder brother of Mr. Yuan Yonggang) and approximately 3.21% by Mr. Yuan Fugen (袁富根, the father of Mr. Yuan Yonggang and Mr. Yuan Yongfeng), which were collectively entitled to exercise approximately 33.26% of the voting rights at general meetings of the Company as of the Latest Practicable Date.

Accordingly, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen will control in aggregate approximately **[REDACTED]**% of the total issued share capital of our Company. As such, Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen will together constitute the Largest Group of Shareholders upon **[REDACTED]** under the Listing Rules. For more details, see "Relationship with Our Largest Group of Shareholders."

RISK FACTORS

We face risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of risks, you should read the "Risk Factors" section in its entirety before you decide to invest in our **[REDACTED]**. Some of the major risks that we face include: (i) our future growth depends on maintaining and building relationships with customers and developing products that meet their evolving needs; (ii) if we fail to develop new or enhanced products on a timely basis, our ability to attract and retain customers could be impaired, and our competitive position could be harmed; (iii) if our production capacity fails to meet customer demand, or if our capacity expansion plans are delayed or unsuccessful, our business, financial condition and results of operations could be materially and adversely affected; (iv) we generate the majority of our revenue from a limited number of key customers; (v) we are exposed to risks associated with our global operations and will continue to be subject to such risks as we continue to expand our business overseas; and (vi) we may fail to effectively integrate acquisition targets into our Company's operations and culture and realize expected benefits from our acquisitions, which could have an adverse effect on our financial condition and results of operations.

LISTING ON THE MAIN BOARD OF THE SHENZHEN STOCK EXCHANGE

In April 2010, the A Shares of the Company were listed on the main board of the Shenzhen Stock Exchange (stock code: 002384.SZ) (the "**A-Share Listing**"). The Company offered a total of 40,000,000 A Shares under the A-Share Listing, representing 25% of the Company's enlarged share capital immediately following the completion of the A-Share Listing.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share (being the midpoint of the range of the **[REDACTED]** stated in this document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expense paid and payable by us in connection with the **[REDACTED]** (assuming the **[REDACTED]** Option is not exercised). In line with our strategies, we intend to use our **[REDACTED]** for the purposes and in the amounts set forth below.

- Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used to construct new facilities and upgrade our existing production facilities and line.

- Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used for potential strategic investments or acquisitions to strengthen our technological leadership and leading market position in our core businesses. We may selectively pursue equity investments or acquisitions across the value chain in the PCB, precision manufacturing and optical transceiver industries, focusing on targets with strong technical moats, clear product-market fit and demonstrable customer demand that supports cross-selling.

- Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used for repayment of a portion of our existing indebtedness.

- Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used for working capital and general corporate purposes.

[REDACTED] STATISTICS

	Based on an [REDACTED] Price of HK$[REDACTED] per H Share	Based on an [REDACTED] Price of HK$[REDACTED] per H Share
[REDACTED] of our H Shares(1)(2)	HK$**[REDACTED]**	HK$**[REDACTED]**
[REDACTED] of our Shares upon the completion of the **[REDACTED]**(1)(3)	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share(4)	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) All statistics in the table are based on the assumption that the **[REDACTED]** is not exercised.

(2) The calculation of **[REDACTED]** is based on the assumption that **[REDACTED]** H Shares expected to be in issue immediately after completion of the **[REDACTED]**.

(3) The calculation of **[REDACTED]** is based on the assumption that **[REDACTED]** H Shares will be in issue immediately after completion of the **[REDACTED]** and **[REDACTED]** A Shares will be in issue immediately after completion of the **[REDACTED]** with an average closing price of RMB**[REDACTED]** for the five business days immediately preceding the Latest Practicable Date (assuming the **[REDACTED]** is not exercised).

(4) The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II – Unaudited **[REDACTED]** Financial Information" in this document.

[REDACTED]

Our **[REDACTED]** are estimated to be approximately HK$**[REDACTED]** (including **[REDACTED]**), accounting for **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the Offer Price range stated in this document, and no exercise of the **[REDACTED]**). Among our **[REDACTED]**, approximately HK$**[REDACTED]** million is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the **[REDACTED]**, and approximately HK$**[REDACTED]** has been or will be charged to our consolidated statements of profit or loss and other comprehensive income of which HK$[1.2] million has been charged to our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. The **[REDACTED]** we expect to incur would consist of approximately HK$**[REDACTED]** related expenses and fees (including but not limited to **[REDACTED]** and fees), approximately HK$**[REDACTED]** fees of the Joint Sponsors, legal advisors and reporting accountant and approximately HK$**[REDACTED]** for other **[REDACTED]** fees and expenses.

DIVIDEND POLICY

Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 —上市公司現金分紅(2025年修訂)》), and the Articles of Association, we are required to pay cash dividends of no less than 10% of the distributable profits recorded in the fiscal year.

During the Track Record Period, we declared dividends as follows:

	For the Year Ended December 31,		
	2023	**2024**	**2025**
	(in RMB thousands)		
Dividends attributable to the year	187,313	425,319	118,795

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

NO MATERIAL ADVERSE CHANGE AND RECENT DEVELOPMENTS

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial position since December 31, 2025, and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix IA and IB to this document.

In this document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain other terms are explained in "Glossary of Technical Terms" in this document.

"2021 Employee Stock Ownership Plan"	the employee stock ownership plan adopted in February 2021, the principal terms of which are set out in "Statutory and General Information — Employee Stock Ownership Plans — 2021 Employee Stock Ownership Plan" in Appendix IV to this Document
"2022 Employee Stock Ownership Plan"	the employee stock ownership plan adopted in November 2022, the principal terms of which are set out in "Statutory and General Information — Employee Stock Ownership Plans — 2022 Employee Stock Ownership Plan" in Appendix IV to this Document
"2022 Restricted Share Incentive Plan"	the restricted share incentive plan adopted in March 2022, the principal terms of which are set out in "Statutory and General Information — 2022 Restricted Share Incentive Plan" in Appendix IV to this Document
"A Share(s)"	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are listed on the main board of the Shenzhen Stock Exchange and traded in Renminbi
"Accountants' Report"	the accountants' report of the Group, the text of which is set out in Appendix IA to this document and the accountants' report of the Source Photonics Holdings (Cayman) Limited, the text of which is set out in Appendix IB
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the articles of association of the Company with effect upon the **[REDACTED]** (as amended from time to time), a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"BIS"	Bureau of Industry and Security of the U.S. Department of Commerce
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

"CAC"	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
"CAGR"	compound annual growth rate

[REDACTED]

"China", "Chinese mainland" or "the PRC"	the People's Republic of China, unless the context requires otherwise, excluding, for the purposes of this document only, the regions of Hong Kong, Macau and Taiwan of the People's Republic of China
"CIC" or "China Insights Consultancy"	China Insights Industry Consultancy Limited, our industry consultant, which is an Independent Third Party
"CIC Report"	an independent market research report commissioned by our Company and prepared by CIC for the purpose of this document
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "CWUMPO"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Suzhou Dongshan Precision Manufacturing Co., Ltd. (蘇州東山精密製造股份有限公司), a joint stock limited company established in the PRC on October 28, 1998 and listed on the main board of the Shenzhen Stock Exchange (Stock code: 002384.SZ).
"Compliance Advisor"	Somerley Capital Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)

"Director(s)"	the director(s) of the Company
"DSBJ Singapore"	DSBJ PTE. LTD., a limited liability company incorporated under the laws of the Singapore on March 8, 2019, and a wholly-owned subsidiary of the Company
"EAR"	the U.S. Export Administration Regulations
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
"Employee Stock Ownership Plans"	the 2021 Employee Stock Ownership Plan, 2022 Employee Stock Ownership Plan and 2026 Employee Stock Ownership Plan

[REDACTED]

"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale seriously affect the working public's ability to resume work or brings safety concern for a prolonged period
"FDPR"	the Foreign-Produced Direct Product Rule

[REDACTED]

"GMD"	Groupe Mécanique Découpage, a limited liability company incorporated under the laws of France in 1986
"Group," "we," "our" or "us"	the Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by the Company and/or its subsidiaries and their predecessors (if any)
"Guide" or "Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Stock Exchange effective from January 1, 2024, as amended, supplemented or otherwise modified from time to time
"H Share(s)"	listed ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are to be **[REDACTED]** for and **[REDACTED]** in Hong Kong dollars and to be **[REDACTED]** on the Stock Exchange

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[REDACTED]

"Hong Kong Stock Exchange", "HKSE" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"Independent Third Party(ies)"	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[REDACTED]

"Joint Sponsors"	the joint sponsors as named in "Directors and Parties Involved in the **[REDACTED]**"

"Largest Group of Shareholder(s)"	Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen collectively the largest group of shareholders of our Company; prior to the **[REDACTED]** and as at the date of this document, Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen controlled more than 30% of the total voting rights in our Company, and upon **[REDACTED]**, Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen will continue to remain as our Company's largest group of shareholders
"Latest Practicable Date"	May 12, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A"	mergers and acquisitions
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Main Board of Shenzhen Stock Exchange"	one of the main components of the SZSE
"MFLEX"	Multi-Fineline Electronix, Inc., a limited liability company incorporated under the laws of United States on February 27, 2004, and its subsidiaries and related business
"MFLEX Singapore"	Multi-Fineline Electronix Singapore Pte. Ltd., a limited liability company incorporated under the laws of Singapore on September 3, 2007, and a wholly-owned subsidiary of the Company
"MFLEX Suzhou"	MFLEX Suzhou Co., Ltd. (蘇州維信電子有限公司), a limited liability company incorporated under the laws of the PRC on June 20, 2002, and a wholly-owned subsidiary of the Company
"MFLEX Thailand"	Multi-Fineline Electronics (Thailand) Co., Ltd., a limited liability company incorporated under the laws of Thailand on June 30, 2023, and a wholly-owned subsidiary of the Company
"MFLEX Yancheng"	MFLEX Yancheng Co., Ltd. (鹽城維信電子有限公司), a limited liability company incorporated under the laws of the PRC on June 19, 2017, and a wholly-owned subsidiary of the Company

"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MIIT"	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
"Multek China"	Multek China Limited (德麗科技(珠海)有限公司), a limited liability company incorporated under the laws of the PRC on July 19, 1995, and a wholly-owned subsidiary of the Company
"Multek Group"	Multek Group (Hong Kong) Limited (超毅集團(香港)有限公司) a limited liability company incorporated under the laws of Hong Kong on April 25, 2018
"Multek Industries"	Multek Industries Limited (珠海門門超毅實業有限公司), a limited liability company incorporated under the laws of the PRC on April 4, 2000, and a wholly-owned subsidiary of the Company
"Mutto Optronics"	Mutto Optronics Technology Co., Ltd. (牧東光電科技有限公司), a limited liability company incorporated under the laws of the PRC on June 6, 2008, and a wholly-owned subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OFAC"	the U.S. Department of the Treasury's Office of Foreign Assets Control

[REDACTED]

"Overseas Listing Trial Measures"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC Legal Advisor"	Haiwen & Partners, the PRC legal advisor to the Company
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

[REDACTED]

"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"ROI"	return on investment
"Rule 144A"	Rule 144A under the U.S. Securities Act
"S$"	Singapore dollar, the lawful currency of the Republic of Singapore
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Singapore"	the Republic of Singapore
"Source Photonics"	Source Photonics Holdings (Cayman) Limited, a limited liability company incorporated under the laws of Cayman on November 11, 2010

"Source Photonics Chengdu"	Source Photonics (Chengdu) Co., Ltd. (索爾思光電（成都）有限公司), a limited liability company incorporated under the laws of the PRC on March 12, 2001
"Source Photonics Macau"	SOURCE PHOTONICS (COMERCIAL OFFSHORE DE MACAU) SOCIEDADE UNIPESSOAL LIMITADA (索爾思光電（澳門離岸商業服務）一人有限公司), a limited liability company incorporated under the laws of Macau on May 29, 2006
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)

[REDACTED]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Strategy and ESG Committee"	the strategy and ESG committee of the Board
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Suzhou Display"	Suzhou Dongshan Display Inc. (晶端顯示精密電子（蘇州）有限公司), a limited liability company incorporated under the laws of the PRC on February 17, 1996, and a wholly-owned subsidiary of the Company
"Suzhou Dongyue"	Suzhou Dongyue New Energy Technology Co., Ltd.(蘇州東越新能源科技有限公司), a limited liability company incorporated under the laws of the PRC on September 6, 2022, and a subsidiary of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Thailand"	the Kingdom of Thailand
"treasury shares"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Track Record Period"	the financial years ended December 31, 2023, 2024 and 2025
"UK"	the United Kingdom of Great Britain and Northern Ireland

[REDACTED]

"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. dollar(s)", "US$" or "USD"	United States dollar, the lawful currency of the United States

"U.S. Securities Act"	The U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"Yancheng Dongchuang"	Yancheng Dongchuang Precision Manufacturing Co., Ltd. (鹽城東創精密製造有限公司), a limited liability company incorporated under the laws of the PRC on November 2, 2020, and a wholly-owned subsidiary of the Company
"Yancheng Dongshan"	Yancheng Dongshan Precision Manufacturing Co., Ltd.(鹽城東山精密製造有限公司), a limited liability company incorporated under the laws of the PRC on June 19, 2017, and a wholly-owned subsidiary of the Company
"%"	percent

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including the Company's subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Unless otherwise stated, 5,791,000 repurchased A Shares which are held as treasury shares by the Company as of the Latest Practicable Date have been included in the total number of issued shares of the Company as of the Latest Practicable Date and immediately after completion of the **[REDACTED]**. For details of the repurchased A Shares, see "History, Development and Corporate Structure — Our Corporate Structure Immediately prior to the Completion of the **[REDACTED]**" and "Substantial Shareholders."

GLOSSARY OF TECHNICAL TERMS

"AAU"	active antenna unit
"ACF"	anisotropic conductive film
"AES"	active electrostatic solution
"AOFT"	all-on-film touch
"AOI"	automated optical inspection
"AI"	Artificial Intelligence
"BBU"	baseband unit
"BGA"	ball grid array
"BMS"	battery management system
"CAF"	conductive anodic filament
"CCD"	charge-coupled device
"CNC"	computer numerical control
"COB"	chip-on-board
"COG"	chip-on-glass
"CPO"	Co-Packaged Optics
"DR/FR"	direct reach/far reach
"DSP"	digital signal processor
"DU"	distributed unit
"EAM"	enterprise asset management
"ECU"	electronic control unit
"EHS"	environmental, health, and safety
"ELIC"	every layer interconnect
"EMI"	electromagnetic interference
"EML"	electro-absorption modulated laser
"ERP"	enterprise resource planning
"ESG"	Environmental, Social and Governance
"EV"	electric vehicle
"FPC"	flexible printed circuit
"FPCA"	flexible printed circuit assembly
"FTTH"	fiber-to-the-home

"F5G"	fifth generation fixed network
"F5G-A"	fifth generation fixed network advanced
"GF2"	glass-one film with double side conductive layers
"GPU"	graphics processing unit
"HDI"	high density interconnect
"IIoT"	industrial Internet of things
"InP PIC"	indium phosphide photonic integrated circuit
"IoT"	Internet of things
"LCD"	liquid crystal display
"LCM"	liquid crystal module
"LPO"	linear pluggable optics
"LRO"	linear-receiver optics
"MES"	manufacturing execution system
"MLPCB"	multi-layer printed circuit board
"MSA"	multi-source agreement
"mSAP"	modified semi-additive process
"MPP"	Microsoft pen protocol
"NRZ"	non-return-to-zero
"NTSC"	National Television System Committee
"OECD"	Organization for Economic Co-operation and Development
"OSFP"	octal small form factor pluggable
"OCA"	optically clear adhesive
"OCR"	optically clear resin
"OEM"	original equipment manufacturer
"OLED"	organic light-emitting diode
"OLT"	optical line terminal

"ONT"	optical network terminal
"ONU"	optical network unit
"OTN"	optical transport network
"OTU"	optical channel transport unit
"PAM4"	four-level pulse amplitude modulation
"PC"	personal computer
"PCB"	printed circuit board
"PLM"	product lifecycle management
"PON"	passive optical network
"QMS"	quality management system
"QSFP-DD"	quad small form-factor pluggable double density
"RAN"	radio access network
"RPCB"	rigid printed circuit board
"SDH"	synchronous digital hierarchy
"SFP"	small form-factor pluggable
"SiPh"	silicon photonics
"SMT"	surface mount technology
"SONET"	synchronous optical network
"SRM"	supplier relationship management
"SR/VR"	short reach/very short reach
"STM-N"	synchronous transport module, level N
"TFT"	thin-film transistor
"USI"	universal stylus initiative
"WCS"	warehouse control system
"WMS"	warehouse management system
"XGS-PON"	10G symmetric passive optical network

FORWARD-LOOKING STATEMENTS

This document contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, beliefs, expectations, intentions or predictions for the future, which are not historical facts. These forward-looking statements are contained principally in "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of **[REDACTED]**". When used in this document, the words "aim", "anticipate", "believe", "consider", "could", "estimate", "expect", "going forward", "intend", "ought to", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedule", and the negative of these words and other similar expressions, as they relate to the Group or its management, are intended to identify forward-looking statements. Forward-looking statements reflect the current views of the Directors with respect to future events, operations, liquidity and capital resources. Some of which may not materialize or may change. These statements are based on assumptions and are subject to certain risks and uncertainties, including those listed in "Risk Factors", which are beyond our control and may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The risks and uncertainties which could affect the accuracy of forward-looking statements include, but are not limited to: (i) our operations and business prospects; (ii) our ability to maintain relationship with, and the actions and developments affecting, its customers and suppliers; (iii) future developments, trends and conditions in the industries and markets in which we operate or plan to operate; (iv) general economic, political and business conditions in the markets in which we operate; (v) changes to the regulatory environment in the industries and markets in which we operate; (vi) our ability to maintain its market position; (vii) the actions and developments of our competitors; (viii) our ability to effectively contain costs and optimize pricing; (ix) the ability of third parties to perform in accordance with contractual terms and specifications; (x) our ability to retain senior management and key personnel and recruit qualified staff; (xi) our business strategies and plans to achieve these strategies; (xii) the effectiveness of our quality control systems; (xiii) our planned use of **[REDACTED]**; (xiv) change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; (xv) capital market developments; and (xvi) various business opportunities that we may pursue.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Accordingly, you should not place undue reliance on any forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made. Except as required by applicable laws, rules and regulations, including the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of the Directors are made as of the date of this document. Any such intentions are subject to change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An investment in the H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an investment in the H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the H Shares could decline and you may lose all or part of your investment. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our future growth depends on maintaining and building relationships with customers and developing products that meet their evolving needs.

Many of our products are highly customized to meet the specific technical and performance requirements of individual customers. To maintain our relationships with these customers, we may be required to design, develop and deliver new or improved products that align with customers' product roadmaps and evolving technologies. Developing such products may involve significant technological challenges, increased design flexibility and extensive qualification procedures, which require close coordination with customers. We cannot assure you that these efforts will result in products that satisfy customers' needs or commercial expectations, or that these efforts will lead to future orders or long-term business relationships.

In addition, our customers often impose tight development schedules and extensive technical support requirements, which may require us to allocate substantial resources and management attention. This may divert resources from other development projects and impact operational efficiency. Such delays, or a failure to meet customer expectations in a timely and cost-effective manner, could impair our relationships with customers, limit sales of products under development and materially and adversely affect our growth prospects, business, financial condition and results of operations.

If we fail to develop new or enhanced products on a timely basis, our ability to attract and retain customers could be impaired, and our competitive position could be harmed.

Our future success depends on our ability to design, develop, market and sell new or enhanced products that provide higher levels of performance and reliability and integrate new functionalities to meet the expectations and needs from our customers. For certain of our products, rapid technological advancements and continuous upgrades are critical to remaining competitive. Intense competition, the continuous launch of new and upgraded products or faster product iteration by our competitors, market acceptance of products based on new or alternative technologies and the emergence of new industry standards or new trends in consumer preferences could render our existing or future products less competitive or outdated, leading to decreased revenue and profitability.

At the same time, we may face challenges in development or certification that delay or prevent the launch of new products or extend our time-to-market cycle. Such delays could increase our research and development and marketing expenses and expose us to the risk of losing key customers or our status as their preferred supplier. If we fail to introduce products that adequately meet customer requirements or adapt to technological changes in the industry, we could lose market share, and our business, financial condition and results of operations will be materially and adversely affected.

If our production capacity fails to meet customer demand, our business, financial condition and results of operations could be materially and adversely affected.

Our ability to satisfy customer demand depends on adequate production capacity. If our existing capacity cannot meet market demand, especially if we experience increased demand for our products as we grow our customer base, we may not be able to deliver products on a timely basis, which could harm customer relationships and result in the loss of business opportunities.

Moreover, our ability to maintain or improve our gross margins depends, in part, on sustaining high capacity utilization rates and production yields. We cannot assure you that these rates will not be negatively impacted by factors such as drop in client demand, equipment malfunction, interruptions in utilities, natural disasters, deficiencies in quality control, inadequate sample testing and labor shortages. If actual market demand for our products falls short of our expectations, our capacity utilization and gross margins could be adversely affected.

At the same time, as our business grows, we may need to expand our production capacity through various measures, including the construction of new production facilities and upgrading existing production facilities lines. We cannot assure you that our new premises will be ready in time or our production capacity will otherwise be successfully expanded. Even after new facilities commence commercial production, we may not achieve the expected ramp-up, yields, product mix, utilization or pricing, and the returns on these investments may fall short of expectations.

Failure to expand our production capacity could hinder our capability to satisfy customer demand and growth prospects. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for the construction of new premises and the maintenance of expanded production capacity. A delay in or cancelation of our expansion plans could also subject us to disputes with various counterparties.

We generate the majority of our revenue from a limited number of key customers.

We generate a substantial portion of our revenue from a limited number of key customers. In 2023, 2024 and 2025, sales to our five largest customers amounted to RMB24,734.5 million, RMB26,122.3 million and RMB25,814.1 million, accounting for 73.5%, 71.0% and 64.4% of our total revenue in the respective years. In particular, sales to our largest customer, Customer A, a leading global consumer electronics company, amounted to RMB18,781.2 million, RMB18,857.6 million and RMB18,642.8 million, accounting for 55.8%, 51.3% and 46.5% of our revenue in the respective years.

There can be no assurance that our key customers will continue to purchase our products at volumes, prices or on terms comparable to historical levels. The end products into which our products are integrated are subject to rapid technological change, frequent model refreshes, adoption of new or alternative technologies and shifting consumer preferences. If we fail to meet evolving specifications, qualify new products on time, or if we are excluded from a key product development cycle, we could lose programs or experience a significant reduction in orders. Customers may also reduce, delay or cancel procurement plans, change vendor qualification requirements, require price adjustments, extend payment terms or delay payments. If (i) there is any reduction, delay or cancelation of orders from one or more of our key customers due to a reduction in their product sales or for any other reason, (ii) one or more of our key customers select our competitors' products; (iii) we lose one or more of our key customers and are not able to obtain additional or alternative customers that can replace the lost sales volume and profit or (iv) any of our key customers fails to make timely payment for our products, our sales may decline and our financial condition and results of operations may experience material fluctuations.

Even though we have a diverse and large customer base, given the significant order volume of our key customers, we anticipate that we may continue to generate a substantial part of our revenue from a limited number of key customers in the foreseeable future. If our relationships with these customers are not sustained or do not develop, we may not be able to continue to generate revenue and profit from these customers on scales that are comparative to historical levels, or at all.

We are exposed to risks associated with our global operations and will continue to be subject to such risks as we continue to expand our business overseas.

We generate revenue from overseas markets. In 2023, 2024 and 2025, our revenue from outside the Chinese mainland totaled to RMB28,001.9 million, RMB30,583.1 million and RMB32,665.2 million, representing 83.2%, 83.2% and 81.4% of total revenue in each year, respectively. We are expanding our international presence to serve a broader client base and penetrate new markets. To effectively serve our current and prospective clients, it is imperative that we successfully initiate and execute suitable strategies for each local market. These strategies must be informed by comprehensive feasibility studies, prevailing market conditions, the regulatory landscape and the competitive environment in the targeted regions.

Operating and expanding overseas may subject to a variety of risks, including but not limited to: (i) changes in prevailing economic conditions and regulatory requirements; (ii) challenges in recruiting and retaining qualified personnel in overseas markets; (iii) adapting products and services to local preferences and cultural norms; (iv) risk management and internal control structures for our overseas operations; (v) increased costs of maintaining overseas manufacturing facilities; (vi) inflation and/or deflation, and changes in interest rates; (vii) increased costs associated with maintaining the ability to understand local markets and follow their trends; (viii) higher-than-anticipated marketing and promotional costs; (ix) increased customer services and support costs; (x) competition from local and international players in overseas markets; (xi) political and social instability, including geopolitical events or civil unrest; (xii) supply chain disruptions and logistical challenges in international operations; (xiii) differences in local labor laws and labor union practices; (xiv) obtaining, maintain or enforcing intellectual property rights; (xv) fluctuations in foreign exchange rate; and (xvi) other various risks that are beyond our control.

We may fail to effectively integrate acquisition targets into our Company operation and culture and realize expected benefits from our acquisitions, which could have an adverse effect on our financial condition and results of operations.

We continually evaluate potential acquisitions and strategic investments that are significant to our business both in China and internationally. See "Business — Our Growth Strategies" and "Future Plans and Use of **[REDACTED]**." We have invested a substantial amount of capital in acquisitions, joint ventures and strategic investments, including Source Photonics and GMD, and we expect that we will continue to evaluate potential acquisitions, joint ventures and strategic investments in the future. Acquisitions, joint ventures and strategic investments involve numerous risks. Acquired businesses may not achieve the expected levels of revenue, profitability or productivity, or otherwise perform as expected, and acquisitions may involve significant cash expenditures, debt incurrence, operating losses and expenses that could have a material and adverse effect on our financial condition and results of operations. Acquisitions also involve special risks, such as the potential assumption of unanticipated liabilities. Other risks and challenges associated with acquisitions include, without limitation: (i) substantial costs and indebtedness associated with negotiating and completing acquisitions, including interest expense, leverage and debt service requirements if additional debt is used to finance an acquisition or investment; (ii) demands on management related to increase in size of our businesses and additional responsibilities of management; (iii) diversion of management's attention; (iv) disruptions to our ongoing businesses; (v) inaccurate estimates of fair value in accounting for acquisitions and amortization of acquired intangible assets, which could reduce future reported earnings; (vi) asset write-offs, restructuring costs and other related expenses; (vii) dilution of our current shareholders' ownership; (viii) difficulties in assimilation and retention of employees; (ix) difficulties in integration of departments, systems, technologies, books and records, controls (including internal financial and disclosure controls), procedures and policies; (x) potential loss of major customers and suppliers; (xi) challenges associated with operating in new geographic regions; (xii) challenges associated with new, different or more complex operations; (xiii) challenges associated with integrating legacy compliance programs; (xiv) challenges associated with navigating and complying with new regulatory requirements; (xv) difficulties in maintaining uniform standards, controls, procedures and policies; (xvi) difficulties in servicing and repaying indebtedness and limitations on flexibility from the financing of acquisitions; (xvii) potential failure to anticipate delays or restrictions resulting from regulatory review or required approvals; (xviii) challenges associated with customer insolvency and the inability to collect accounts receivable; (xix) potential failure to consummate an acquisition; (xx) potential failure to identify material problems and liabilities during due diligence review of acquisition targets; and (xxi) potential failure to obtain sufficient indemnification rights to fully offset possible liabilities associated with acquired businesses.

Even if we are successful in integrating our acquisitions, such acquisitions may not ultimately be successful or accretive to earnings, and we may not realize the expected benefits from such transactions within the anticipated time frame, or at all. If actual performance in an acquisition falls short of the projected results, or the assessment of the relevant facts and circumstances was inaccurate or changes, it is possible that a non-cash impairment charge of related goodwill would be required, and thus our results of operations and financial condition could be adversely affected.

We face intense competition in the global PCB, precision component, optoelectronic display and optical transceiver industries.

The global PCB, precision component, optoelectronic display and optical transceiver industries in which we operate is highly competitive and include thousands of companies with widely varying levels of engineering expertise and sophistication, some of which have achieved substantial market shares. According to CIC, general competition in our industries is characterized by price competition and rapid technological changes, and being a responsive, high-quality and low-cost producer is a key factor of competing effectively.

As a result, we may experience downward pressure on our gross margin due to (i) customers seeking lower prices through competitive bidding, (ii) competitors offering aggressive pricing or more favorable commercial terms, and (iii) continued industry capacity expansion in certain product categories, which may intensify price competition. Margin pressure may be more pronounced for products with greater standardization, as well as during product ramp-up periods or weaker demand cycles, when competitors may reduce prices to increase utilization and maintain market share.

Some of our competitors may have longer operating histories, stronger brand recognition in the industry, larger customer bases and greater financial and technical resources than we do. They may also adapt more quickly to new technologies and developments in customer demand and requirements. Our competitors may also possess stronger strategic foresight, enabling them to anticipate technological trends, industry developments and shifts in customer demand earlier than we do, These competitive advantages may enable our competitors to adapt more quickly to changing customer or consumer preferences. Our failure to maintain our competitive position with respect to technological advances, to adapt to changing market conditions and customer preference or to otherwise compete successfully with existing or new competitors may have a material and adverse effect on our business, financial condition and results of operations.

Our research and development efforts are not guaranteed to yield the results we anticipate.

In order to maintain our competitive position and continue to grow our business, we need to continuously develop, rapidly update and introduce innovative products for our existing and potential customers. Accordingly, we dedicate considerable human resources and capital investment to R&D activities. In 2023, 2024 and 2025, our research and development expenses amounted to

RMB1,161.2 million, RMB1,266.8 million and RMB1,417.2 million, accounting for 3.5%, 3.4% and 3.5% of our revenue in the respective years. However, we cannot assure you that these efforts will be successful or produce our anticipated results.

Moreover, our R&D includes engaging in joint development projects with key customers to ensure our products align with their technical requirements. These projects may require significant investment of time, technical and financial resources without any assurance of commercial success or subsequent volume orders. The development process may be delayed or terminated if a customer changes its technical specifications, priorities or budget, or if the end product fails to achieve market acceptance. Any of these circumstances could result in increased development costs, delayed product launches or loss of expected business opportunities and could materially and adversely affect our business, financial condition and results of operations.

Even if our research and development efforts are successful, we may not be able to apply the technologies we developed to introduce new products in time to fully capitalize on our first-mover advantage, or at all. A failure to maintain technological leadership in the market where we do business could adversely affect our business and financial performance.

Increases in costs or the shortage of supply of our raw materials could decrease our profitability.

The cost of raw materials constitutes the majority of our cost of goods sold. We must obtain sufficient quantities of high-quality raw materials at acceptable prices and in a timely manner in order to manufacture our products. The main raw materials used in the manufacture of our products include copper foil, copper-clad laminates, high-grade aluminum alloys, cover glass, touch sensor, optical fibers, laser diodes and photodiodes. See "Business — Supply Chain — Raw materials" for further details. The pricing of raw materials can be volatile and difficult to predict due to factors beyond our control, including changes in general economic conditions, currency exchange rates, industry cycles and production levels, commodities markets, transportation costs, government regulations and tariffs, geopolitical events, price controls and other unforeseen circumstances. At the same time, the selling prices for certain of our products are established on a relatively long-term basis, which could make it more difficult for us to fully or promptly pass on increases in raw material costs to our customers. We may not be able to adjust selling prices immediately when raw material costs increase for those products. Any price adjustment is typically subject to the pricing review cycle agreed with the customer, such as quarterly, yearly or specified trigger events under the relevant agreement. As a result, we may have to absorb all or part of the raw material cost increases during the interim period between a cost increase and the next agreed pricing review or the completion of the adjustment process, and may not be able to pass on the full amount of the increase if the customer does not accept the proposed adjustment or if market conditions limit our pricing power. Accordingly, if the price of raw materials increases and we are not able to compensate for or pass on such increased costs to customers, our profitability and financial results may be adversely affected.

We generally do not enter into long-term supply contracts with our suppliers. We rely on the timely supply of raw materials in order to carry out our production plans as scheduled, and a shortage of any key raw materials could limit the number of products we are able to produce and increase the production costs of our products, thereby depressing the margins for our products to the extent that we are not able to pass on the increased costs to our customers. Moreover, we currently source our main raw materials and key components from a number of third-party suppliers. Our supply agreements for raw materials may allow pricing adjustments depending on the contract. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of high quality raw materials in a timely manner at reasonable prices, or if there are significant increases in the costs of raw materials that we could not pass on in full to our customers. Deterioration in business relationships with these suppliers may result in our failure to source sufficient quantities of raw materials and components of satisfactory quality at acceptable costs. There can be no assurance that a significant shortage in the supply of raw materials will not take place in the future.

Moreover, certain of our customers also act as our suppliers under the buy-and-sell model, under which we may be required to purchase designated raw materials or components from such parties or their designated suppliers for use in manufacturing products for those customers, primarily to meet their requirements on quality control, cost control and supply chain stability. As a result, our ability to negotiate favorable purchase prices, payment terms and other commercial terms for such designated materials may be limited, as we may have fewer alternative sources and reduced flexibility to switch suppliers. If our raw material costs increase and we are unable to fully or promptly pass those increases on to customers under our pricing arrangements, our gross profit margin, profitability and results of operations could be adversely affected.

At the same time, many raw materials, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations. We cannot assure you that we will be able to extend or renew the agreements that we have entered into for the supply of raw materials on similar terms, or at all. The effects of global or regional economic conditions on our suppliers could also affect our ability to obtain raw materials, which may also adversely affect our business, results of operations and financial condition.

We may experience adverse developments in labor supply.

Labor costs have been fluctuating and may rise in the future due to various factors, including inflationary pressure, changes in minimum wage standards, government mandates on employee benefits, social insurance contributions or market competition for skilled workers. Rising labor costs could increase our overall production costs. We may not be able to fully pass on such cost increases to our customers through higher product prices in a timely or effective manner, which could negatively affect our margins. In addition, sustained increases in labor expenses may require us to adjust workforce allocation or enhance automation, which could lead to temporary inefficiencies and additional investment.

At the same time, we cannot assure you that labor disputes will not occur in the future. Any deterioration in labor relations could result in loss of key personnel, business interruptions, increased costs associated with recruitment and training and loss of institutional know-how, all of which may materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to identify suitable acquisition candidates or complete acquisitions on our desired timing or terms, which could limit our potential for growth.

We have made acquisitions in recent years and may consider new acquisitions that provide meaningful opportunities for growth. We also intend to use approximately **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]** for potential strategic investments or acquisitions. However, we may not be able to identify suitable acquisition candidates or complete acquisitions on acceptable timing, terms and conditions. Other companies in our industries have similar investment and acquisition strategies to ours, and competition for acquisitions may intensify. If we are unable to identify acquisition candidates that meet our criteria, our potential for growth may be restricted. Even if we identify acquisition candidates that we believe meet our criteria, we may be unable to complete such acquisitions in a timely manner, on desirable terms or at all, including as a result of an inability to satisfy related closing conditions or obtain necessary consents from the relevant authorities, the expiration or termination of applicable regulatory waiting periods, or competing offers from other potential acquirers that provide more favorable terms and conditions. For example, our ability to close certain of our prior acquisitions may be delayed due to regulatory procedures. Our efforts to identify suitable acquisition candidates, even if successful, could also cause us to incur substantial screening and transaction fees, divert our management and administrative resources or fail to identify due diligence or other issues affecting the value and suitability of potential acquisition targets. Any of these results could have a material and adverse effect on our business, results of operations, financial condition and prospects.

At the same time, the valuation of potential targets is inherently uncertain and involves significant judgment. In particular, it may be affected by factors such as rapidly changing technology, customer concentration, the sustainability of order pipelines, qualification and certification status, yield and reliability performance, capacity expansion needs, cyclicality in end-market demand and volatility in raw material and other input costs. As a result, our valuation assumptions, including projected revenue growth, margins, synergies, capital expenditure requirements and discount rates, may prove inaccurate. If we are unable to value or execute acquisitions as expected due to inaccurate assumptions, we may be required to write down the value of an acquired business, incur significant losses and divert management resources, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to governmental export and import controls, tariffs, economic sanctions and other trade protection measures, which could affect our ability to compete in certain markets or expose us to liability in certain jurisdictions.

We operate within a global supply chain, and our products are sold globally as part of various end products. As such, we face risks associated with export and import controls, tariffs, economic sanctions and other trade protection measures.

Recent trade tensions, such as the ongoing U.S.-China trade dispute, have led to broader and substantially high tariffs, export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. While our sales by delivery destination to the United States accounted for approximately 7.7% of our total revenue in 2024, we are exposed to the impact of these measures through our international customers and global supply chains. Regarding tariffs, in February 2025, the United States imposed a 20% tariff on certain categories of Chinese goods (the "**Fentanyl Tariff**"). Subsequently, on April 2, 2025, the United States imposed a 10% baseline tariff on all imports from its trading partners, along with additional country-specific tariffs for various countries, as adjusted from time to time (the "**Reciprocal Tariff**"). These actions have led to a series of retaliatory measures by other countries, including China, and further countermeasures by the United States. On May 12, 2025, the President of the United States issued an executive order that suspended certain retaliatory tariff increases imposed on April 8, 2025 and April 9, 2025 against China and reinstated the Reciprocal Tariff on imports originating from China, Hong Kong and Macau for a 90-day period. This resulted in a combined effective tariff rate of approximately 30% on products sold into the U.S. market during this period. On August 12, 2025, the President of the United States signed an executive order extending the deadline for higher tariffs on China for another 90 days until November 10, 2025. Following the U.S.-China leaders' meeting on October 30, 2025, the United States and China announced steps to pause certain tariff escalations. On November 4, 2025, the President of the United States issued executive orders that, among other things, reduce the Fentanyl Tariff from 20% to 10%, effective November 10, 2025, and continue the suspension of heightened China-specific Reciprocal Tariff rates through November 10, 2026, thereby maintaining the 10% Reciprocal Tariff baseline on imports from China during that period. At the same time, on May 28, 2025, the U.S. Court of International Trade ruled that many of the tariffs the current administration put in place, including the Reciprocal Tariff and the Fentanyl Tariff, exceeded the president's legal authority, which was affirmed by the U.S. Court of Appeals for the Federal Circuit on August 29, 2025. On February 20, 2026, the U.S. Supreme Court issued its opinion affirming the lower court's ruling, striking down the tariffs implemented pursuant to the International Emergency Economic Powers Act (IEEPA), including the Reciprocal Tariff and the Fentanyl Tariff. Following this decision, the administration rescinded the IEEPA-based tariffs but concurrently imposed new 10% tariffs on a global basis for a 150-day period under separate statutory authority and discussed plans to rely on other statutory authority to impose other tariffs. The U.S. tariff policies are rapidly evolving, and the final outcome, including the timing, impact and potential legal challenges regarding any newly implemented tariffs, is highly uncertain. Any additional tariff may increase the price of the end products imported to the U.S. market and reduce their competitiveness. Our customers who import the products may wish to pass on the additional tariff on us, their other suppliers or their customers. Even if the tariff is not passed on to us, the reduced competitiveness of our customers' end products could lead to the reduction or cancellation of their purchase orders from us, and tariffs could generally negatively affect economic conditions in China and other countries and regions, which could adversely affect our business.

Exports, re-exports and transfers of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. Regarding economic sanctions, the most significant controls are those administered by OFAC, which prohibit the provision of products to certain countries or regions, governments, entities and persons targeted by U.S. sanctions. Regarding U.S. export controls, EAR have broad jurisdiction, covering both U.S.-origin items and certain foreign-produced items, such as those containing more than a de minimis level of controlled U.S. content or those subject to FDPR. The expansion of the FDPR under the EAR first came into broader effect in May 2020 when BIS amended General Prohibition Three of the EAR to apply to foreign-produced direct product when destined for or used by certain entities on the BIS Entity List (the "**Entity List**"). Since that date, the FDPR has been further extended to cover advanced computing integrated circuits, supercomputers and advanced semiconductor manufacturing equipment for certain jurisdictions under the EAR. In October 2022, the BIS issued an interim final rule (the "**BIS October 2022 IFR**") to limit China's access to advanced computing integrated circuits, supercomputers and advanced semiconductor manufacturing. In October 2023, the BIS released another interim final rule (the "**BIS October 2023 IFR**") that updated and expanded the restrictions from the BIS October 2022 IFR (together with the BIS's April 2024 interim final rule, the "**BIS 2022/23 IFRs**"). Among other measures, the BIS 2022/23 IFRs added certain advanced and AI computing integrated circuits and related computer commodities to the Commerce Control List, imposing new or expanded license requirements for items subject to the EAR intended for use in developing or producing supercomputers, advanced node integrated circuits, and advanced semiconductor manufacturing equipment in certain jurisdictions, including China. Most recently, in January 2025, BIS issued an interim final rule (the "**BIS January 2025 IFR**") to further limit China's access to these advanced manufacturing equipment.

In addition to the restrictions introduced above, the BIS also maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed. In recent years, the United States has placed an increasing number of entities, including hundreds of entities in China, on the Entity List and other restricted or prohibited party lists. In addition to naming additional persons to these lists, BIS has imposed complex and restrictive rules applicable to doing business with persons on them. The restrictions applicable to Entity List parties include licensing requirements for exports, re-exports or transfers of items on lists of controlled items maintained by the U.S. government, which in most cases prevents these named entities from receiving essentially any item subject to U.S. export controls, including, in some cases through the application of the EAR's foreign direct product rules, to items produced wholly outside the United States. In addition, on September 29, 2025, the BIS issued an interim final rule extending Entity List and MEU List restrictions to non-listed foreign entities that are 50% or more owned, directly or indirectly and in the aggregate, by parties on the Entity List or certain other restricted party lists (the "**Affiliates Rule**"). However, following the leaders' meeting on October 30, 2025, the United States will suspend implementation of the Affiliates Rule for one year beginning November 10, 2025. As a result, this extension of Entity List restrictions is not expected to apply during the suspension period unless BIS issues implementing rules to the contrary or the suspension is modified or revoked. We screen our counterparties to determine if they are subject to applicable economic sanctions or export control restrictions and have not identified any sales that involve such sanctioned parties or jurisdictions, including those parties and jurisdictions subject to OFAC-administered sanctions. However, certain of our customers have been included on the BIS Entity List. During the Track Record Period, a customer group of the Company and two customers of Source Photonics were included on the BIS Entity List. Revenue generated from the relevant customer group of the Company in the aggregate accounted for 1.0%, 1.6% and 1.7% of our total revenue in 2023, 2024 and 2025, respectively. Revenue generated from the relevant customers of Source Photonics in the aggregate accounted for 6.0%, 6.2% and 8.1% of Source Photonics' total revenue in 2023, 2024 and the nine months ended September 30, 2025, respectively. We believe none of the items we sold to Entity List-designated customers involve the transfer, export or re-exports of items subject to the EAR, including through the FDPR.

These policies have introduced uncertainties to global supply chains, limited access to critical raw materials and components and increased production and compliance costs and uncertainties for companies operating in affected industries. For instance, restrictions on the export of specific technologies or materials to certain regions could disrupt our ability to procure key inputs or supply products to customers in affected markets, causing operational delays or interruptions. If these trade restrictions or geopolitical tensions escalate, we may face additional risks such as reduced access to key markets, strained customer relationships and loss of market opportunities.

Increased compliance costs and operational challenges arising from adhering to complex export control regulations and sanctions could strain our resources. Tariffs, quotas and local content rules may further raise production costs, impacting the profitability and competitiveness of our products. As the Entity List and other sanctions and export control laws and regulations, including the EAR's de minimis rules and the FDPR, continue to evolve, future sanctions and export controls may significantly impact our business relationships with some of the key customers or suppliers. For example, if restrictions are imposed on the export of certain computing products from the United States to China, the resulting decline in downstream production or demand may adversely affect our sales of related PCB products. In addition, dealing with customers or suppliers that are subject to export control or sanctions may pose significant risks to our business. These risks include potential disruptions in our supply chain, legal and regulatory compliance challenges and the possibility of civil and criminal penalties. We have no control over the countries, regions or destinations to which the customers will sell and/or export their end products. If the export sales of the customers' end solutions are restricted, prohibited or made subject to any export controls or economic sanctions imposed by any jurisdictions, the customers' demand for our products may decline, and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

If we experience operational disruption in our production facilities, our inventory level and production schedule may be adversely affected.

Our success and reputation depend on our ability to deliver quality products to our customers on time and in required quantities, which in turn relies on the proper and reliable functioning of our production processes. Any operational disruption or machinery breakdown could directly impact our production schedules and stock levels, hindering our ability to meet customer orders in a timely manner, thus affecting customer satisfaction.

Operational disruptions or machinery breakdowns in our production facilities may arise from various unexpected incidents or catastrophic events. Additionally, instability or shortages in electricity supply could halt production activities, causing delays in fulfilling customer orders. In the event of such disruptions, maintaining production volumes and ensuring sufficient stock levels to meet customer demands could be challenging. Identifying and securing alternative facilities or machinery in a timely and cost-effective manner may not always be feasible. Delays in resuming normal operations could also affect the quality and schedule of product deliveries, potentially impacting customer satisfaction and damaging our reputation.

We may encounter difficulties with our manufacturing technology or certain of our equipment suppliers may fail to perform their contracts.

We purchase substantially all of our equipment from external suppliers based on our technical specifications, and we cannot guarantee that such suppliers will perform their contractual duties as we expect. For example, only a few companies can produce the mechanical drilling machine and flying probe tester that are necessary to achieve a desirable level of production yields, and their production capacities are limited. Supply shortage due to any reason can hinder our capability to expand our production capacity.

To meet the diverse needs of our end customers, we are often required to manufacture customized products with a high degree of flexibility. Accordingly, some of our manufacturing equipment is customized to the designs or specifications that we provide to our equipment supplier, who then undertakes a specialized process to procure and assemble the customized equipment. As a result, the equipment is not immediately available from other vendors and may take time to repair or replace if it were damaged to a great extent or stopped working. Inability to make timely repair or replacement of such equipment can result in disruption to our production activities.

We generate a significant portion of our revenue from Customer A, and reduction in orders or deterioration in our relationship with Customer A could materially and adversely affect our business and financial condition.

We derive a significant portion of our revenue from Customer A. During the Track Record Period, Customer A was our largest customer and accounted for 55.8%, 51.3% and 46.5% of our revenue in 2023, 2024 and 2025, respectively. As a result, if Customer A does not continue to purchase our products at volumes, prices or on terms broadly consistent with historical levels, our business, financial condition and results of operations would be materially and adversely affected.

Customer A's products are characterized by rapidly evolving technologies, and Customer A frequently introduce new product features or adopt new or alternative technologies when launching new products or upgrading existing products. Customer A may change product specifications, performance requirements, qualification standards or supplier selection criteria from time to time. If we are unable to meet Customer A's evolving specifications, fail to qualify new products on time, are excluded from a key product development cycle, experience quality issues or delivery delays, or otherwise fail to maintain our competitiveness, Customer A may reduce its purchases from us, allocate more volume to other suppliers or discontinue procurement from us, which could materially and adversely affect our results of operations.

Our sales to Customer A are typically conducted based on a framework agreement, which arrangements generally do not specify the number of products that Customer A will purchase from us in any given period and may not contain minimum purchase requirements. Accordingly, there can be no assurance as to the timing or volume of orders that Customer A will place with us. Customer A may also adjust, delay, reduce or cancel procurement plans, or request changes to commercial terms, in response to factors beyond our control, including changes in end-market demand, product cycles, inventory levels, pricing considerations, supply chain strategies and macroeconomic or geopolitical developments. If there is any material reduction, delay or cancellation of orders from Customer A, or if Customer A fails to make timely payment for our products, our revenue and profitability may decline and our financial condition and results of operations may experience material fluctuations.

In addition, against the backdrop of geopolitical tensions and uncertainties surrounding international trade, many companies are diversifying their supply chains away from China. It is reported that Customer A would shift the production of certain products from the Chinese Mainland to other countries, such as India and Vietnam. See "Business — Our Customers — Relationship with Certain Top Customers." There can be no assurance that Customer A will not reduce, reallocate or restructure its orders from us in connection with changes in its supply chain footprint, logistics arrangements, transportation costs, localisation requirements, geopolitical developments, trade restrictions or other considerations. Any requirement for us to make additional capital investments or operational adjustments to support Customer A's evolving supply chain footprint could increase our costs and expose us to additional operational and regulatory risks.

Although we have been seeking to broaden our customer base, given the significant order volume from Customer A, we expect Customer A to continue to account for a substantial portion of our revenue in the foreseeable future. If our relationship with Customer A is not sustained or does not develop, we may not be able to continue to generate revenue and profit from Customer A on scales comparable to historical levels, or at all.

We may face warranty claims, product return and liability, economic damage claims and negative publicity if our products fail.

We receive warranty claims from our customers from time to time in the ordinary course of our business. However, if we experience an unusually high incidence of such claims, we could incur significant costs and our business, financial condition and results of operations could be materially and adversely affected.

Our products are complex and may contain defects for many reasons, including design flaws, manufacturing irregularities, material deficiencies or other factors. Despite our rigorous testing and quality control procedures, latent defects may exist or new issues may emerge in our existing or future products. If any of our products contain defects or have reliability, quality or compatibility problems, our reputation might be negatively impacted, and we may be unable to retain existing customers or attract new customers. In the event of an actual or perceived defect, we may need to devote significant capital, technical, managerial and other resources to investigate and correct the issue, which could divert attention and resources from other important development projects. If we are unable to identify and implement an acceptable solution in a timely and cost-effective manner, we may be required to bear substantial product recall, warranty, repair, replacement and litigation costs, all of which could materially and adversely affect our operating results.

At the same time, as our products are integrated into a variety of end products, we are exposed to product and economic liability risks, as well as the risk of negative publicity affecting our customers. Our sales may decline as our customers may be subject to product liability claim or experience negative publicity regarding the quality or safety of their products, even if our products are not at fault. Such events could result in reduced demand for our products, reputational harm and material adverse effects on our business, financial condition and results of operations.

During the Track Record Period, the credits incurred by us in relation to product return accounted for approximately 0.4%, 0.3% and 0.4% of our total revenue in 2023, 2024 and 2025; the costs associated with warranty claims accounted for approximately 0.1% of our total revenue in each year. We did not record any material economic damage claims, nor did we experience any material disruption to our operations as a result of these matters during the Track Record Period.

Our business is subject to legal, regulatory, political, compliance and other risks associated with our overseas operations.

We derive a significant portion of our revenue from overseas customers and are continuing to expand our global presence to serve a broader customer base. Accordingly, we have faced, and will continue to face, numerous risks, including legal, regulatory, political, compliance and other risks associated with conducting operations in various jurisdictions, any of which could negatively affect our financial performance. These risks include the following: (i) changes in foreign tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations of tax laws; (ii) the risk that our interpretation of local statutory and regulatory requirements relating to sales taxes, VAT, other taxes, accounting standards, licenses and permits, may prove to be incorrect or unsupportable due to their complexity or our own oversight, resulting in fines, penalties or other liabilities related to non-compliance, damage to our reputation, unanticipated operational restrictions or other consequences as a result of our actions, or inaction, taken to perform our responsibilities; (iii) changes in international trade policies and regulations, including those in relation to economic sanctions, export controls and import restrictions, as well as tariffs, non-tariff barriers, duties, government royalties, including the imposition or increase of withholding and other taxes on remittances, or changes in restrictions on trade between China and the countries or regions where our products are manufactured or sold; (iv) difficulty in coping with possible conflict of laws and regulations of different jurisdictions where we operate; (v) changes in foreign countries' regulatory requirements, including with respect to data privacy, AI, consumer protection, environmental and antitrust matters; (vi) complexities relating to compliance with foreign anti-bribery, anti-corruption and anti- money laundering regulations and antitrust laws; (vii) risks associated with overseas investment, construction, production and operations, including compliance with local investment approval processes, environmental protection requirements, labor and employment regulations and tax obligations; (viii) product boycotts, including with respect to products of our multi-national customers; (ix) difficulty in obtaining or enforcing intellectual property rights; (x) difficulty in enforcing agreements and collecting overdue receivables through local legal systems; (xi) loss or non-renewal of treaties between foreign governments and China; (xii) changes in geopolitical situations, especially those in jurisdictions where we do business; (xiii) strict foreign exchange controls and cash repatriation restrictions; (xiv) high social benefit costs for labor, including more expansive rights of foreign unions and works councils; (xv) misconduct by our customers beyond our control, including but not limited to breaching the agreements with them and laws and regulations of various jurisdictions that are applicable to them; (xvi) changes in immigration and labor laws that may adversely impact our access to technical and professional talent; (xvii) legal, regulatory, political instability and uncertainty; and (xviii) labor disputes and work stoppages at our operations and suppliers.

In addition, as we operate in many different jurisdictions, we have conducted cross-border inter-group party transactions in our ordinary course of business, which may result in an increased likelihood of tax audits, possibly leading to challenges in relation to, amongst other things, tax residence, permanent establishment and transfer pricing. The materialization of any of the foregoing risks could increase our compliance costs, disrupt our international operations, limit our market access or result in significant liabilities, any of which could materially and adversely affect our business, financial condition, and results of operations.

Our results of operations and profitability depend on general economic conditions and cyclical demand in our customers' end markets.

Our results of operations depend on general economic conditions. More specifically, as our products are primarily applied in consumer electronics, automobiles, data center and other AI computing infrastructure, our customers' ability and willingness to invest in these areas could significantly affect our business and financial performance. These investments and spending in turn are affected by a number of economic and other factors beyond our control. Economic uncertainty and other related factors may exacerbate negative trends in these investments and spendings and may postpone or preclude the investment in AI infrastructure or purchasing of EVs or consumer electronics, which in turn will negatively affect demands for our products and thereby adversely affect our business, results of operations and financial condition. At the same time, as these industries are highly competitive and driven by end-user demands, our customers face persistent pricing pressure and ongoing requirements to reduce production costs and increase efficiency, which can translate into lower average selling prices for our products, shorter product life cycles and more volatile ordering patterns.

In addition, relevant industrial policies, fiscal incentives or subsidy programs in different jurisdictions may affect investment levels and production priorities in our customers' end markets. Divergences or changes in such policies among major economies may also create regional imbalances or uncertainties that could disrupt our customers' capital expenditure plans and affect our sales performance. As a result, fluctuations in end-market demand and pricing may cause our revenue, margins and cash flows to vary significantly from period to period, which could materially and adversely affect our business, financial condition and results of operations.

Our sales may be influenced by seasonality.

Our results of operations are affected by seasonal fluctuations in the demand for consumer electronics, which in turn influence our customers' demands for our products. For products used in consumer electronics, we typically experience higher sales in the second half of the year due to the synchronized launch cycles of new smart devices and the heightened purchasing activity associated with the holiday season. Accordingly, various aspects of our operations, including sales, working capital and operating cash flows, are exposed to the risks associated with seasonal fluctuations in the demand for our products, and our quarterly or half year results may not reflect our full year results.

In connection with acquisitions, joint ventures, divestitures or other strategic transactions, we may become subject to liabilities and legal claims.

In connection with acquisitions, joint ventures, divestitures or other strategic transactions, we have in the past, and may in the future, become subject to liabilities or legal claims, including but not limited to:

third party liability and other tort claims; claims for breach of contract; employment-related claims; environmental, health and safety liabilities, conditions or damage; regulatory or other legal compliance issues (such as potential liabilities arising from anti-corruption laws and sanctions regulations); claims for contractual indemnification; or tax liabilities.

In addition, we may assume risks and liabilities that our due diligence investigations with respect to acquisitions, joint ventures and other strategic transactions fail to identify, including issues relating to inadequate internal controls and procedures relating to accounting, finance, cybersecurity and data protection controls issues. If we become subject to any of these liabilities or claims with respect to any acquisition, joint venture, divestiture or other strategic transaction, and they are not adequately covered by insurance or an enforceable indemnity or similar agreement from a creditworthy counterparty, we may be responsible for significant out-of-pocket expenditures.

Furthermore, divestitures or restructuring may entail additional costs, including the potential termination of local operations, severance payments and other employee-related expenses, as well as costs associated with unwinding or reorganizing existing contractual, operational or supply-chain arrangements. These expenses, together with possible business disruptions associated with such restructurings, could increase our overall transaction costs or offset expected benefits. Such underinsured or non-indemnified liabilities, if they materialize, could have a material and adverse effect on our business, financial condition and results of operations.

Our intellectual properties may be subject to infringement.

Our success depends in part on our ability to obtain and maintain appropriate patent and trade secrets protection for our technologies, processes and products and to successfully enforce our rights against infringement, such as unauthorized replication, reverse engineering and design theft. If our patents do not adequately cover our technologies or are invalidated or circumvented, we maybe unable to prevent competitors from utilizing similar technologies.

We also rely on unpatented proprietary technologies, processes, know-how and data protected mainly through trade secrets and confidentiality arrangements, which are inherently difficult to safeguard and may be breached or independently replicated by competitors. In addition, we may face intellectual property disputes alleging infringement or misappropriation or need to enforce our own rights. Such disputes are costly, time consuming, may divert management attention and have uncertain outcomes, and adverse results could allow competitors to use our technologies.

Our business depends on the continuing efforts of our senior management and our ability to attract and retain key employees.

Our business operations depend on the continuing efforts of our management, particularly the members of our senior management team. If one or more members of our senior management are unable or unwilling to continue serving in their present positions, we may not be able to replace them readily, or at all. As a result, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers. In addition, if any member of our senior management joins a competitor or forms a competing company, we may lose some of our customers, and more importantly, our trade secrets. We protect our trade secrets by entering into confidentiality agreements, which contain the noncompetition clauses, with each member of our senior management. However, we cannot assure you that, if any disputes arise between our senior management and us, these confidentiality clauses could be adequately enforced in our favor.

Our success also depends to a significant extent on the skills and efforts of our key managerial, technical, sales and other employees and upon our ability to continue to attract, retain and motivate qualified personnel. We compete with other manufacturing companies for technical and other skilled employees, especially skilled roles such as production management and quality control, which are critical to maintaining efficient operations and meeting customer specifications. We cannot assure you that we will be able to continue to attract and retain qualified employees essential to our growth. The loss of the services of these key employees or the inability to attract or retain qualified employees could have a material adverse effect on us.

Our business may be impacted by geopolitical uncertainties and other political, social and economic instability that lead to business interruptions.

Geopolitical uncertainties, such as war, military conflicts and general regional instability, strategic rivalries among major economies, particularly between the United States and China, acts of terrorism, health emergencies, widespread outbreaks of infectious diseases and other political, social and economic instability and geopolitical tensions, including the impact of potential changes in tariffs or sanctions and escalating trade wars, could lead to business interruptions and cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on us, our customers and suppliers. Our business operations are subject to interruption by, among others, natural disasters, whether as a result of climate change or otherwise, fire, power shortages and other industrial accidents, terrorist attacks and other hostile acts, labor disputes, public health issues, demonstrations or strikes, and other events beyond our control. Such events could decrease demand for our products, make it difficult or impossible for us to make and deliver products to our customers, or to receive materials from our suppliers, and create delays and inefficiencies in our supply chain.

U.S. outbound investment regulations and other foreign laws and regulations could have a negative impact on our future ability to access to capital.

On October 28, 2024, the U.S. Department of the Treasury ("**Treasury**") issued a final rule, codified in the United States Code of Federal Regulations at 31 C.F.R. part 850, to implement the Executive Order 14105 of August 9, 2023 (the "**Outbound Investment Rule**"). On January 2, 2025, a U.S. outbound investment security program (the "**Outbound Investment Security Program**"), implemented by the Treasury under the Outbound Investment Rule, became effective. The Outbound Investment Rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "**Covered Foreign Persons**". U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "Covered Transactions," and include certain acquisitions of an equity interest or contingent equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Outbound Investment Rule contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. The Group is not engaged in any "covered activities" under the Outbound Investment Rule. In particular, although one of the subsidiaries acquired by us (including its subsidiaries, the "Subsidiary") designs and produces certain optical and laser-based semiconductor components, such products are discrete optoelectronic devices rather than integrated circuits for purposes of the Outbound Investment Rule and therefore the Subsidiary's business do not constitute "covered activities." In addition, the Subsidiary does not contribute 50% or more to the Company's consolidated revenue, net income, operating expenses or capital expenditure. Accordingly, even under a conservative assumption that the Subsidiary were deemed to engage in covered activities, such activities would not have resulted in the Group being classified as a "covered foreign person" under the OIR. For details, please refer to "Business — Trade Restrictions, Tariff Policies and International Sanctions — U.S. Outbound Investment Security Program." In addition, we will not use any **[REDACTED]** from this **[REDACTED]** to, directly or indirectly, fund or acquire any entities, that are engaged in activities or businesses that would be deemed "covered activities" under the Outbound Investment Rule. We believe this **[REDACTED]** is not an indirect covered transaction and is not a prohibited or notifiable transaction under Outbound Investment Rule. However, there is no assurance that the Treasury will take the same view as ours, which could implicate the prohibitions or notification requirements under the Outbound Investment Rule for U.S. persons. Investors should consult their legal counsel regarding the applicability of the Outbound Investment Rule to this **[REDACTED]**.

Adverse changes to foreign laws or regulations, including the Outbound Investment Rule, could also heighten our exposure to legal and business risks, restrict our access to capital, disrupt our operations and affect our results of operations. For example, on February 21, 2025, U.S. President issued a memo entitled the "America First Investment Policy" (the "**America First Memo**"), indicating that Executive Order 14105 is under review, and the U.S. government will consider possible application of the Outbound Investment Rule to a wider range of technology sectors and application of restrictions to a wider range of investments, including publicly traded securities.

On December 18, 2025, the U.S. Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"), which will supersede the Outbound Investment Rule, became law. The COINS Act is subject to a rulemaking process, which is required to be completed by March 2027, and there is substantial uncertainty regarding how the new law will be implemented. Possible changes to the Outbound Investment Rule, the COINS Act, or similar laws and regulations could limit or, in the worst-case scenario, eliminate our ability to raise capital or contingent equity capital (such as convertible bonds) from U.S. investors in the future, or our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our capital-raising capacity and our business, financial condition and prospects. In addition, while we believe that purchases of our **[REDACTED]** in this **[REDACTED]** and subsequent secondary market trading should fall within the publicly traded securities exception under the current Outbound Investment Rule, any changes to the publicly traded securities exception or other aspects of the Outbound Investment Rule could prohibit the purchase or **[REDACTED]** of our **[REDACTED]** by U.S. persons, impose new notification or other regulatory requirements, or make our H Shares less attractive to such investors. In such cases, the value of our **[REDACTED]** could significantly decline, and our liquidity may be materially and adversely affected. Investors, including those that are U.S. persons or are subsidiaries of U.S. persons, should consult their own legal counsel regarding the applicability of the Outbound Investment Rule, the COINS Act or similar laws and regulations to this **[REDACTED]** and any potential obligations and exceptions thereunder.

We may require additional funding to finance our operations, which may not be available or on terms acceptable to us.

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. We may not be able to obtain additional funds or on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, general market conditions for capital raising and debt financing activities and economic, political and other conditions in the markets in which we operate.

We may be subject to delivery failures or disruptions.

We use third party logistics service providers to deliver certain of our work-in-progress and finished products. As we do not have any direct control over these logistics service providers, we cannot guarantee their quality of services. In addition, our suppliers sometimes deliver materials to us through third-party logistics service providers. Delays in delivery could adversely impact our suppliers' ability to timely deliver materials to us and as a result, our ability to deliver to our customers.

At the same time, we may not be able to continue or renew our contractual arrangements with our existing logistics service providers, particularly if disputes arise or if we are unable to cooperate on terms acceptable to us. This could result in delivery delays, higher transportation costs or other operational disruptions. If we experience a breakdown in our relationships with existing logistics providers or fail to engage new providers that can ensure accurate, timely and cost-efficient delivery services, we may incur additional costs or suffer business interruptions that could materially and adversely affect our business, financial condition and results of operations.

Our insurance coverage may be insufficient to cover all of our potential losses.

We maintain insurance coverage over our daily operations and the shipment of our products in transportation. We cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse impact on our business, results of operations and financial condition.

Our information systems may experience system failures, interruptions or security breaches.

Our information systems are subject to various risks, including system failures, cyber-attacks, data breaches and other security incidents. Any such event could disrupt our operations, compromise our data and result in significant remediation costs, legal liabilities and reputational damage. Furthermore, our information systems need to be regularly updated and upgraded to keep pace with technological advancements and changing business needs, which require significant investment and may cause system disruptions or compatibility issues. We also engage certain third-party service providers for the development, upgrade and maintenance of certain information systems. Any failure of these third-party service providers to meet their service obligations could affect the performance of our information systems.

Any failure or perceived failure to comply with data privacy and security laws could subject us to potential liabilities.

Our operations are subject to a variety of laws and regulations concerning data privacy and security. We collect and store business and transaction data generated during or in connection with our business operations. The secure maintenance of such data is critical. We process data in compliance with the applicable legal requirements to ensure data security. Failure to comply with the increasing number of data protection laws in the PRC, as well as the data security and privacy laws in other jurisdictions where we operate, could result in significant reputational damage and adversely affect our business performance. To ensure compliance with evolving data privacy laws, regulations and standards, it will be necessary to maintain robust internal control and risk management policies, which will require substantial commitment of resources and efforts. Unauthorized access, loss or misuse of data could lead to increased security costs, damage to our reputation, regulatory proceedings, litigation, fines, investigations, remediation efforts, indemnification expenditures and disruptions to our business activities. Such incidents may also result in additional costs associated with defending against legal claims. Concerns from our customers, employees and third parties, even if unfounded, may also have a detrimental impact on our reputation and operations.

Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds or other PRC labor related regulations may subject us to fines and other legal or administrative sanctions.

According to applicable PRC laws and regulations, employers must contribute to social insurance funds and housing provident fund for the benefits of their employees. During the Track Record Period, we and certain of our PRC subsidiaries did not make contribution or adequate contribution to social insurance and housing provident funds for employees as required by relevant PRC laws and regulations. According to our PRC Legal Advisor, (i) the likelihood of an administrative penalty being imposed is remote in the event that the relevant authorities require us and our PRC subsidiaries to pay any shortfalls within a prescribed period, provided that we make such payments in full within the required timeframe; (ii) the likelihood that the relevant authorities would proactively initiate collective action to recover such shortfalls is also remote, absent any significant changes in current policies, regulations and local enforcement practices and supervision or any major employee complaints, reports or related litigation or arbitration.

However, there is no assurance that our historical and current practices with respect to the contribution of social insurance plans and housing provident fund will at all times satisfy the government authorities in the Chinese mainland. In the event of any such non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. See "Regulatory Overview — Regulations on Employment and Social Welfare" for further details. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in the Chinese mainland, we may be exposed to penalties or be required to compensate employees.

Furthermore, the Interpretation II of the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (the "New Judicial Interpretation") was enacted by the Supreme People's Court on July 31, 2025 and effective as of September 1, 2025. According to the New Judicial Interpretation, if the employer and its employee agree or the employee undertakes that social insurance contributions need not be paid, the People's Court shall deem such agreement or undertaking invalid. Furthermore, where the employer fails to pay social insurance contributions in accordance with the applicable laws, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to the Labor Contract Law of the PRC, the People's Court shall support such claims. See "Regulatory Overview — Regulations on Employment and Social Welfare" for details.

Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may involve substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be disruptive to our operations. Non-compliance may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, among other things.

We are subject to risks in relation to our properties.

We currently lease several premises in China mainly for office, production or storage uses. Under the PRC laws and regulations, lease agreements in general are required to be registered with the local real estate administration bureau. As of December 31, 2025, we and our major PRC subsidiaries had not registered 19 lease agreements for our aforementioned leased properties, which are leased by us or our major subsidiaries for office, production or storage uses. We may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. The maximum aggregate amount of potential administrative penalties we would be subject to for the 19 lease agreements is RMB190,000. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

In addition, as of December 31, 2025, the lessors with whom we enter into the aforementioned lease agreements did not provide the valid property ownership certificates of the leased premises for 7 leased premises mainly used as warehouse and offices. The aggregate floor area of these premises accounted for approximately 0.8% of the total gross floor area of our leased premises mainly used for office, production or storage by us and our major subsidiaries in the Chinese mainland. Therefore, we cannot ensure that they have the rights to lease such premises to us, and we may need to find alternative locations with similar functionalities as the original locations and at commercially reasonable terms in a timely manner, which may incur extra costs for us.

Furthermore, we have certain buildings we owned in the PRC, and due to historical reasons, we have not obtained ownership certificates. As of December 31, 2025, the aggregate gross floor area of our owned properties of us and our major subsidiaries lacking ownership certificates accounted for 1.1% of the total gross floor area of properties owned by us and our major subsidiaries in the Chinese mainland. According to the relevant PRC laws and regulations and as advised by our PRC Legal Advisor, our rights as owner or occupant of these properties may be adversely affected due to the absence of the relevant building ownership certificates. Accordingly, certain rights including our rights to transfer the properties and/or to mortgage the properties may be restricted.

We face risks associated with the misconduct of our employees, suppliers and their employees and other related individuals.

Our business operations and reputation could be impacted by the conduct of our employees, suppliers and their employees and other related individuals. It may not always be possible to prevent or detect misconduct by these individuals. The misconduct by these parties, including fraudulent activities, non-compliance with applicable laws and regulations, unethical business practices or any other actions that are inconsistent with our corporate policies and values, may subject us to potential liabilities and damage our reputation, decreased market share and potential difficulties in attracting and retaining customers.

We may from time to time become a party to litigation, other legal and contractual disputes, claims and administrative or other regulatory proceedings.

We may from time to time be subject to various litigation, legal or contractual disputes, claims or administrative proceedings in the ordinary course of our business, which may divert our management's attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings that are initially not of material importance may escalate and become important to us, due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. If any adverse verdict, judgment or award is rendered against us or if we settle with any third parties, we may be required to pay significant monetary damages or assume other liabilities. In addition, negative publicity arising from litigation, legal or contractual disputes, claims or administrative proceedings may damage our reputation and have a material and adverse impact on our business, results of operations and financial condition.

We face risks in relation to the inability to obtain and maintain the approvals, licenses and permits required for our operations.

We may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for our businesses. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits required for our existing business operations in a timely manner, or at all, given we lack control over the competent authorities' accreditation process and timeframe.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In the event of any non-compliance incident, we may have to incur significant expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which could have a material and adverse impact on our business, results of operations and financial condition.

Share pledges by certain shareholders may result in enforcement sales and adversely affect our Share price, liquidity and control.

Certain shares held by Mr. Yuan Yonggang and Mr. Yuan Yongfeng have from time to time been pledged to PRC securities companies regulated by the CSRC as collateral to secure financing for their personal capital needs. If any pledged shares are enforced upon and sold by the pledgee, a substantial number of shares may be disposed of within a short period of time, which could result in significant downward pressure on, or increased volatility in, the trading price of our Shares, reduce liquidity and adversely affect market confidence. Any actual or perceived risk of enforcement or forced sale may itself negatively affect the market price of our Shares. In addition, any enforcement and disposal of pledged shares may reduce the shareholding interests of our controlling shareholders and could, depending on the scale and timing of disposal, affect our shareholder structure and control, and may result in additional compliance and disclosure obligations under applicable laws, regulations and the Listing Rules. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and/or the market price of our Shares.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE AND POSITION

Failure to collect our trade receivables or notes receivables in a timely manner may adversely affect our liquidity.

We may not be able to collect our trade and notes receivables in a timely manner, and we may face difficulty collecting receivables for reasons beyond our control, such as customers delaying payment past the relevant credit periods granted or being unable to pay us when payments are due. We had total trade and notes receivables with gross carrying amounts of RMB7,716.6 million, RMB7,672.5 million and RMB10,073.0 million as of December 31, 2023, 2024 and 2025. Any significant delay or default in our collection of trade and notes receivables or other receivables may impose pressure on our cash flow and working capital and reduce the pool of available financial resources relative to our expectations and expenditure plans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Our revenue and cost of sales are subject to foreign exchange fluctuations.

A substantial portion of our sales and a portion of our procurement is settled in USD. Certain subsidiaries of ours also conduct transactions in foreign currencies and have cash and bank balances, trade receivables, other Receivables, trade payables, other payables and borrowings denominated in currencies other than the functional currency of the Company, being RMB, which exposes us to foreign exchange risks. In 2023, 2024 and 2025, our non-RMB denominated financial assets accounted for 23.2%, 21.9% and 14.5% of our total assets, respectively, with US dollars denominated financial assets accounting for 23.1%, 21.7% and 14.4% of our total assets. Meanwhile, our non-RMB denominated financial liabilities accounted for 14.4%, 14.4% and 15.5% of our total liabilities, with US dollars denominated financial liabilities accounting for 14.2%, 12.4% and 8.5% of our total liabilities. Any significant fluctuations in the exchange rates between foreign currencies and RMB may materially and adversely affect our results of operations.

In 2023 and 2024, we incurred net foreign exchange gains of RMB129.9 million and RMB294.7 million. In 2025, we incurred net foreign exchange losses of RMB27.4 million. We cannot predict the future exchange rate fluctuations, and we cannot assure you that we will not incur any net exchange loss in the future. See Note 3 of "Appendix IA — Accountants' Report of the Group", "Appendix IB — Accountants' Report of the Source Photonics Group" for further details on foreign currency risk exposures and related sensitivity test.

During the Track Record Period, we have maintained certain hedging policies, such as leveraging certain derivative instruments, in an effort to reduce our exposure to foreign exchange risks and commodity price risks, and we may maintain, or further enhance, our hedging policies in the future. Our derivative financial instruments mainly include forwards, options and futures contracts. As at December 31, 2023, 2024 and 2025, our derivative financial liabilities amounted to RMB33.3 million, RMB11.0 million and RMB46.5 million, respectively, while our derivative financial assets amounted to RMB17.4 million, RMB14.9 million and RMB65.1 million, respectively. However, the availability and effectiveness of these hedging measures may be limited, and we may not be able to adequately cover our exposure or at all.

Our indebtedness could adversely affect our cash flow, increase our vulnerability to economic conditions and limit or restrict our business activities.

We have incurred, and may incur in the future, significant indebtedness, including in connection with mergers or acquisitions, which may impact the manner in which we conduct business or our access to external sources of liquidity. In addition to interest payments, a significant portion of our cash flow may need to be used to service our indebtedness, and therefore, may not be available for use in our business. In addition, although we plan to use the net **[REDACTED]** of the **[REDACTED]** to reduce our indebtedness, we may be unable to complete the **[REDACTED]** on the timing we anticipate or at all, which would further burden our debt service and operations and limit our ability to invest in our business. Our ability to generate cash flow is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control. Our indebtedness could have a significant impact on us, including, but not limited to: (i) increasing our vulnerability to general adverse economic and industry conditions; (ii) requiring us to dedicate a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the amount of our cash flow available to fund working capital, acquisitions and capital expenditures, and for other general corporate purposes; (iii) limiting our flexibility in planning for, or reacting to, changes in our business and our industry; (iv) restricting us from making strategic acquisitions or exploiting business opportunities; (v) necessitating the divestiture of certain of our assets or businesses in order to generate cash to service our indebtedness; (vi) limiting our ability to continue paying dividends; or (vii) limiting our ability to borrow additional funds.

Certain of our debt agreements impose restrictions with respect to the maintenance of financial ratios and the disposition of assets. The most restrictive covenants currently require us to maintain a minimum level of interest coverage and a minimum level of net worth. These restrictive covenants could adversely affect our ability to engage in certain business activities that would otherwise be in our best long-term interests.

Any impairment of goodwill could have a material adverse effect on our results of operations.

As of December 31, 2023, 2024, and 2025, our goodwill amounted to RMB2,162.7 million, RMB2,077.5 million and RMB4,769.3 million, primarily as a result of our acquisition. We test the goodwill and intangible assets for impairment on an annual basis and when events occur or circumstances change that indicate that the fair value of the reporting unit may be below its carrying amount. Fair value determinations require considerable judgment and are sensitive to inherent uncertainties and changes in estimates and assumptions regarding revenue growth rates, capital expenditures, working capital requirements, tax rates, benefits associated with a taxable transaction and synergies available to market participants. Declines in market conditions, a trend of weaker than anticipated financial performance of our reporting units or an increase in the market-based weighted average cost of capital, among other factors, are indicators that the carrying value of our goodwill may be impaired. Any impairment of our goodwill could have a material adverse effect on our results of operations.

We received government grants and preferential tax treatment during the Track Record Period, and any discontinuation of government grants or preferential tax treatment or any change in the relevant policies may adversely affect our financial performance and results of operations.

We received government grants and preferential tax treatment under relevant preferential tax policies during the Track Record Period. In 2023, 2024 and 2025, we recognized income from government grants of RMB236.9 million, RMB489.6 million and RMB359.3 million. We may not be able to continue to enjoy similar government grants and preferential tax treatment in the future as they are non-recurring in nature. The discontinuation of any of our government grants or current tax treatments could adversely impact our net income and materially increase our tax obligations. Government grants and preferential tax treatments are subject to review of authorities and may be adjusted or revoked at any time in the future. We cannot guarantee that government grants and preferential tax treatments to which we and certain of our subsidiaries are currently entitled would be successfully renewed. There can be no assurance that the local tax authorities will not change their position in the future and discontinue any of our current tax treatments, potentially with retrospective effect.

Our annual effective tax rate and the amount of taxes we pay can change materially as a result of changes in Chinese and foreign tax laws and changes in the mix of our domestic and overseas earnings.

As a multinational corporation, we are subject to tax laws of PRC and foreign tax laws and regulations, all of which are complex and subject to significant change and varying interpretations. Tax laws and regulations are continuously evolving with global minimum tax and increased transparency continuing to be high priorities in many tax jurisdictions in which we operate. For example, as of December 31, 2025, the Company and 11 of our PRC subsidiaries were accredited as "High and New Technology Enterprises," and are entitled to a preferential income tax rate of 15%. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that relevant entities will be able to renew the same preferential tax treatments upon expiration. If any such change, cancelation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiary will be subject to the PRC enterprise income tax, at a rate of 25% on taxable income. As a result, changes in this and other tax laws or regulations, or any change in the position of taxing authorities regarding their application, administration or interpretation, could have a material adverse effect on our business, consolidated financial condition or results of our operations.

At the same time, the OECD has issued the Global Anti-Base Erosion Model Rules ("**Pillar II**") which generally provides for multinational organizations to have a minimum effective corporate tax rate of 15% in each jurisdiction in which they operate. Certain countries in which we operate have enacted legislation, and other countries have introduced legislation to implement the minimum tax directive. Subject to tax legislation enacting Pillar Two being passed in the jurisdictions where the Company and its subsidiaries operate, we are required to pay a top-up tax for any deficiency between the minimum tax rate of 15% and the effective tax rate per respective jurisdiction. For jurisdictions where the Pillar Two legislation was enacted but not effective at the reporting date, we currently have no related current tax exposure. To the extent additional legislative changes take place in the countries in which we operate, it is possible that these changes may yield an adverse impact on our effective tax rate, financial results and cash flows.

Uncertainty in the valuation of financial assets at fair value through other comprehensive income may affect our financial position.

As of December 31, 2023, 2024, and 2025, we had financial assets at fair value through other comprehensive income of RMB290.5 million, RMB252.6 million and RMB285.3 million, respectively. The fair value of certain of these financial assets is determined using valuation techniques, which involve a significant degree of management judgment and the use of unobservable inputs. Such inputs and assumptions may be subject to a high degree of uncertainty and may not reflect prevailing market conditions, particularly in the absence of active markets for these assets. There is no assurance that our estimates or the assumptions underlying the valuation models will prove to be accurate. If the valuation of these financial assets fluctuates or proves inaccurate due to changes in market conditions or assumptions, our other comprehensive income and financial performance may be adversely affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

In order to operate our business effectively and meet our consumers' demands and expectations, we maintain a certain level of inventory to meet the customer needs and ensure timely delivery of our products. As of December 31, 2023, 2024 and 2025, we had inventories of RMB6,293.9 million, RMB6,152.7 million, and RMB8,928.9 million, respectively. In 2023, 2024 and 2025, our inventory turnover days were 77 days, 69 days, and 70 days, respectively.

We determine our level of inventory based on historical sales performance, demand forecasts and supply chain capacity fluctuations. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the customer demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand or substantial decrease in the expected market price of our products may result in inventory write-downs, and we may consequently sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. Furthermore, if we underestimate the demand for our products, we may not be able to have a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and negatively affect our reputation. Any of the above may materially and adversely affect our business, results of operations and financial conditions.

We have awarded and may continue to award equity instruments under equity incentive plans, which may cause shareholding dilution to our shareholders and result in increased share-based compensations.

We adopted the Share Incentive Scheme on March 8, 2022. See "Appendix IV — Statutory and General Information — Employee Stock Ownership Plans." In 2023, 2024 and 2025, we recorded share-based compensations of RMB8.9 million, RMB0.5 million and nil, respectively. To further incentivize our employees, we may adopt other equity incentive plans and award additional equity incentives in the future. Issuance of Shares with respect to our equity incentive plan may dilute the shareholding of our existing shareholders and incur substantial share-based compensation that could have a material and adverse impact on our results of operations.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you whether and when we will pay dividends in the future.

We have declared dividends in the past. However, we cannot assure you that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of the Chinese mainland, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are at the discretion of our Directors, after taking into account various factors, including our results of operations, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of the Chinese mainland. See "Financial Information — Dividend Policy" for further details. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of the Chinese mainland, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of the Chinese mainland to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of the Chinese mainland.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

Changes in economic, political or social conditions or government policies in the markets in which we operate could have a material adverse effect on our business and results of operations.

We derive revenue from and operate in multiple jurisdictions. As such, changes in any of these jurisdictions could have a material and adverse impact on our future prospects, business, results of operations and financial condition. For example, a substantial part of our revenue is derived from our businesses in the PRC during the Track Record Period. Accordingly, our future prospects, business, results of operations and financial condition are, to a material extent, subject to economic, political and legal developments in the PRC. If the macroeconomic condition in China experiences significant adverse changes, demand for our products and our ability to maintain our operations may suffer, which could consequently lead to a material and adverse impact on our business, results of operations and financial condition. Moreover, if foreign governments implement laws or regulations restricting investment in Chinese entities and we are deemed to be subject to such restrictions, the investment and transactions in our Shares, our business prospects, results of operations, financial conditions and future capital raising may be adversely affected.

China's economy has experienced significant growth over the past decades. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. Changes in the business environment in China and the other jurisdictions in which we operate could have a material and adverse impact on our business, results of operations and financial condition.

Any uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

We are subject to certain uncertainties embedded in the legal systems of some geographic markets where we operate. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject the enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

It may be complex to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the PRC laws, and a majority of our assets are located in the PRC. In addition, most of our Directors and senior management reside in the PRC. As a result, it may be complex for investors to effect service of process outside the Chinese mainland upon us, our Directors or senior management or to enforce judgments obtained against us in courts outside the Chinese mainland. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the Chinese mainland only if the jurisdiction has a treaty with the Chinese mainland or if the jurisdiction has been otherwise deemed by the courts of the Chinese mainland to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the Chinese mainland is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in the Chinese mainland of judgments of a court in these jurisdictions may consequently be difficult or impossible.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the establishment of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, and failure to comply with which may materially affect our business, results of operations or financial conditions.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the **[REDACTED]** from such future financing activities into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our financial conditions and business prospects.

We are subject to the currency exchange regulatory system.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Payment of dividends, if any, will be subject to relevant regulations. See "Regulation Overview — Regulation on Foreign Exchange".

We are a Chinese mainland enterprise, and we are subject to the Chinese mainland tax on our global income. As such, any gains on the sales of H Shares and dividends on the H Shares may be subject to the Chinese mainland income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the Chinese mainland and a non-Chinese mainland investor's jurisdiction of residence that provides for a different income tax arrangement, the Chinese mainland withholding tax at the rate of 10% is normally applicable to dividends from the Chinese mainland sources payable to investors that are non-Chinese mainland resident enterprises, which do not have an establishment or place of business in the Chinese mainland, or which have an establishment or place of business in the Chinese mainland if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% Chinese mainland income tax rate if such gains are regarded as income from sources within the Chinese mainland unless a treaty or similar arrangement provides otherwise. See "Regulatory Overview — Tax on Dividends" for details.

As of December 31, 2025, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-Chinese mainland resident individuals on the sale of shares of the Chinese mainland resident enterprises listed on overseas stock exchanges.

If the Chinese mainland income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-Chinese mainland resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence do not have tax treaties or arrangements with the Chinese mainland may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of the Chinese mainland and Hong Kong.

As our A Shares are listed on the Shenzhen Stock Exchange and our H Shares will be **[REDACTED]** on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

Our A Shares are listed on the Shenzhen Stock Exchange. The characteristics of the A Share and H Share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the Shenzhen Stock Exchange, and our H Shares will be traded on the Hong Kong Stock Exchange. Under current laws and regulations of the Chinese mainland, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the completion of the **[REDACTED]**, there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations between our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), which may not be indicative of the price at which our Shares will be traded following the completion of the **[REDACTED]**. The market price of our H Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The **[REDACTED]** price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the Chinese mainland that have listed their securities in Hong Kong may affect the volatility in the price of and **[REDACTED]** volumes for our H Shares. A number of the Chinese mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. The share price of some of these companies has experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment toward the Chinese mainland-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our Shares in the public market could negatively affect the price of our Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our H Shares in the public market, the **[REDACTED]** of new shares or other securities or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

You will incur immediate and significant dilution and may face further dilution if we issue additional Shares in the future.

The **[REDACTED]** Price of the **[REDACTED]** is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** consolidated net tangible asset value. To expand our business, we may consider **[REDACTED]** and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

Our Largest Group of Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Largest Group of Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Immediately following the completion of the

[REDACTED], our Largest Group of Shareholders will collectively beneficially own approximately **[REDACTED]**% of the voting power of our outstanding share capital, assuming the **[REDACTED]** is not exercised. The concentration of voting power and the substantial influence of our Largest Group of Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our Shares. In addition, the interests of our Largest Group of Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Largest Group of Shareholders will continue to have the ability to exercise their substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other shareholders.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in PRC. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with the A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in the Chinese mainland, which are different from those applicable to the **[REDACTED]**. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective investors in the H Shares should be reminded that, in making their investment decisions as to whether to purchase the H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase the H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

Certain facts, forecast and other statistics contained in this document derived from official government sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified. You should therefore not place undue reliance on such information. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. These statements are, by their nature, subject to significant risks and uncertainties. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the disclosure of forward-looking statements in this document should not be regarded as representations by us that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events, or otherwise. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

There have been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press and media coverage regarding us, our business, our industry and the **[REDACTED]**. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. None of us, the Joint Sponsors, the **[REDACTED]**, the Joint **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any other person involved in the **[REDACTED]** has authorized the disclosure of any such information in the press or media coverage, or accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication.

Accordingly, prospective investors should not rely on any such information or publication in making their decision whether to invest in our H Shares. Prospective investors are reminded that, in making their investment decisions as to whether to purchase our Shares, they should rely only on the financial, operational, and other information included in this document. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

In preparation of the **[REDACTED]**, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rules 8.12 and 19A.15 of the Listing Rules provide that a new applicant for listing on the Stock Exchange must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, the Company's arrangements for maintaining regular communication with the Stock Exchange.

The Company's headquarters are based, and most of the business operations of the Group are managed in the PRC. The executive Directors ordinarily reside in the PRC, as the Board believes it would be more effective and efficient for the executive Directors to be based in a location where the Group's substantial operations are located. As such, the Company does not and, in the foreseeable future, will not be able to comply with the requirements of Rules 8.12 and 19A.15 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, provided that the Company implements the following arrangements:

(i) the Company has appointed Mr. Yuan Yonggang and Ms. Mao Xiaoyan as the authorized representatives of the Company (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as the Company's principal channel of communication with the Stock Exchange. They can be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matters on short notice. The contact details of the Authorized Representatives have been provided to the Stock Exchange;

(ii) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period. In addition, each Director has provided his/her contact details, including office phone numbers, mobile phone numbers, email addresses and fax numbers (if any), to the Authorized Representatives and to the Stock Exchange, so that each of the Authorized Representatives and the Stock Exchange would be able to contact all the Directors (including the independent non-executive Directors) promptly at all times if and when the Stock Exchange wishes to contact the Directors;

(iii) the Company has appointed Somerley Capital Limited as its Compliance Advisor for the period commencing on the **[REDACTED]** and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year commencing after the **[REDACTED]**, or until the agreement is terminated, whichever is earlier. The Compliance Advisor will act as the Company's additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange; and

(iv) the Company has appointed designated staff members as the responsible communication officers at the Company's headquarters to oversee regular communication with the Authorized Representatives and the Company's professional advisors in Hong Kong, including its legal advisors and the Compliance Advisor, keep abreast of any correspondence and/or inquiries from the Stock Exchange and report to the executive Directors, streamlining communication between the Stock Exchange and the Company following the **[REDACTED]**.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, CWUMPO, and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

The Company has appointed Ms. Mao Xiaoyan ("**Ms. Mao**") as one of the joint company secretaries. Ms. Mao joined the Group in August 2010. She currently also holds the position of executive Director, deputy general manager and secretary of the Board in the Company. See "Directors and Senior Management" for further biographical details of Ms. Mao. Although Ms. Mao does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have Ms. Mao as its joint company secretary who is familiar with the Group's internal operation and management and possesses professional knowledge and experience in handling corporate governance and compliance, legal affairs and public relationship related matters. The Company has also appointed Mr. Tsang Chun Ho ("**Mr. Tsang**") to act as the other joint company secretary to assist Ms. Mao in discharging the duties of a company secretary of the Company. Mr. Tsang is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. See "Directors and Senior Management" for further biographical details of Mr. Tsang.

Since Ms. Mao does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period of three years since the **[REDACTED]** on the following conditions: (i) Ms. Mao must be assisted by Mr. Tsang who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the waiver period; and (ii) the waiver will be revoked immediately if and when Mr. Tsang ceases to provide such assistance to Ms. Mao as the joint company secretary or there are material breaches of the Listing Rules by the Company.

In support of the waiver application, the Company has adopted, or will adopt the following arrangements:

(i) in preparation of the application of the **[REDACTED]**, Ms. Mao has attended training on the respective obligations of the Directors, senior management and the Company under the relevant Hong Kong laws and the Listing Rules organized by the Hong Kong legal advisor to the Company;

(ii) Mr. Tsang will work closely with Ms. Mao to jointly discharge the duties and responsibilities as the joint company secretaries and to assist Ms. Mao in acquiring the relevant experience as required under the Listing Rules for an initial period of three years from the **[REDACTED]**, a period which should be sufficient for Ms. Mao to acquire the relevant experience as required under the Listing Rules;

(iii) the Company will ensure that Ms. Mao continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an issuer listed on the Stock Exchange. Furthermore, both Ms. Mao and Mr. Tsang will seek advice from the Company's Hong Kong legal and other professional advisors as and when required. Ms. Mao also undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company; and

(iv) at the end of the three-year period, the qualifications and experience of Ms. Mao and the need for on-going assistance of Mr. Tsang will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Ms. Mao, having had the benefit of the assistance of Mr. Tsang for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Stock Exchange will revoke the waiver if Mr. Tsang ceases to provide assistance to Ms. Mao during the three-year period.

Prior to the expiry of the three-year period, the Company will demonstrate to the Stock Exchange and seek the Stock Exchange's confirmation that Ms. Mao, having had the benefit of Mr. Tsang's assistance during the three-year period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the Listing Rules so that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

WAIVER IN RESPECT OF ALTERATION IN SHARE CAPITAL

Paragraph 26 of Appendix D1A to the Listing Rules requires this Document to include the particulars of any alterations in the share capital of any member of our Group within the two years immediately preceding the issue of this Document.

As of the Latest Practicable Date, we had more than 100 subsidiaries. It would be unduly burdensome for us to disclose the required information in respect of all of its subsidiaries as the Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material nor meaningful to investors. The non-disclosure of such information will not prejudice the interests of our Shareholders or potential investors.

We have identified 15 subsidiaries (collectively, the "**Major Subsidiaries**" and each a "**Major Subsidiary**") that we consider are material to our operations and/or our financial performance during the Track Record Period. By way of illustration, with intercompany eliminations, the aggregate assets of the Company and its Major Subsidiaries represent 78.6%, 82.5% and 71.1% of our Group's total assets as of December 31, 2023, 2024 and 2025, the aggregate revenue of the Company and its Major Subsidiaries represents 89.2%, 90.8% and 87.7% of our Group's total revenue for each of the financial years ended

December 31, 2023, 2024 and 2025, and the aggregate net profits of the Company and its Major Subsidiaries represent 123.1%, 176.4% and 152.8% of our Group's total net profits for each of the financial years ended December 31, 2023, 2024 and 2025. The Major Subsidiaries hold our Group's material assets, intellectual property rights, proprietary technologies, licenses and permits, human capital expertise and capacities, and cover all of our business segments. None of our subsidiaries other than the Major Subsidiaries hold any major licenses and permits for our Group's operations. None of the other subsidiaries of the Company with substantial business operations that are not Major Subsidiaries individually contributes to 5% or more of our Group's total assets as of December 31, 2023, 2024 and 2025, or 5% or more of our Group's revenue or net profits for each of the financial years ended December 31, 2023, 2024 and 2025. Accordingly, the remaining subsidiaries of our Group which are not Major Subsidiaries are relatively insignificant to the overall results of our Group.

We have disclosed the particulars of the changes in the share capital of the Company and the Major Subsidiaries in the section headed "Statutory and General Information — Further Information About The Group" in Appendix IV to this Document.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under paragraph 26 of Appendix D1A to the Listing Rules, in respect of disclosing the particulars of any alteration in the capital of any member of our Group within the two years immediately preceding the issue of this Document.

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive and Non-Executive Directors		
Mr. Yuan Yonggang (袁永剛)	No. 54, Zhangxiangli Shangwan (5), Yangwan Village Dongshan Town Wuzhong District, Suzhou Jiangsu Province, the PRC	Chinese (Hong Kong)
Mr. Yuan Yongfeng (袁永峰)	No. 1, Yangwan Street Dongshan Town Wuzhong District, Suzhou Jiangsu Province, the PRC	Chinese
Mr. Zhao Xiutian (趙秀田)	19 Manzanillo Lake Forest California, United States	United States
Mr. Shan Jianbin (單建斌)	No. 2, Pinggong Middle Road Nanping Town Xiangzhou District, Zhuhai Guangdong Province, the PRC	Chinese
Mr. Wang Xu (王旭)	Room 31-106 Shanjing Yuyuan Huqiu District, Suzhou Jiangsu Province, the PRC	Chinese
Ms. Mao Xiaoyan (冒小燕)	Room 702, Block 9 Huayun Huayuan Wuzhong District, Suzhou Jiangsu Province, the PRC	Chinese
Mr. Ma Liqiang (馬力強)	No. 54, Wangshe Beiwang (5), Luxiang Village Dongshan Town Wuzhong District, Suzhou Jiangsu Province, the PRC	Chinese
Independent Non-Executive Directors		
Dr. Wang Leigang (王雷剛)	Room 401, Block 06, Third Region No. 301, Xuefu Road Jingkou District, Zhenjiang Jiangsu Province, the PRC	Chinese
Mr. Poon Wing Shing Anthony (潘永誠)	Room A, 6/F, Tregunter 1 Tregunter Path 14 Mid-levels Central Hong Kong	Chinese (Hong Kong)

Name	Address	Nationality
Mr. Cai Weihua (蔡衛華)	Room 502, Block 8 Boyaju, Zhongshan Huayuancheng Xuanwu District, Nanjing Jiangsu Province, the PRC	Chinese
Dr. Xu Weidong (徐維東)	No. 866 Yuhangtang Road Xihu District, Hangzhou Zhejiang Province, the PRC	Chinese

For further details, see "Directors and Senior Management."

Joint Sponsors

UBS Securities Hong Kong Limited
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Haitong International Capital Limited
Suites 3001-3006 and 3015-3016
One International Finance Centre
No.1 Harbor View Street
Central, Hong Kong

GF Capital (Hong Kong) Limited
27/F, GF Tower
81 Lockhart Road
Wanchai
Hong Kong

CITIC Securities (Hong Kong) Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

[REDACTED] and [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Legal Advisors to the Company	*As to Hong Kong and U.S. laws:* **Freshfields** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to PRC law:* **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District, Beijing PRC
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Allen Overy Shearman Sterling** 9th Floor Three Exchange Square Central Hong Kong *As to PRC law:* **King & Wood** 28th Floor, China Resources Tower 2666 Keyuan South Road Nanshan District, Shenzhen PRC
Auditor and Reporting Accountants	**Confucius International CPA Limited** *Certified Public Accountants* Room 1501-08, 15/F. Tai Yau Building 181 Johnston Road, Wanchai Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10th Floor, Building B Jing'an International Center 88 Puji Road Jing'an District, Shanghai PRC

[REDACTED]

Registered Office	No. 288, Shanfeng Road Wuzhong Economic and Technological Development Zone, Suzhou Jiangsu Province, the PRC
Headquarter and Principal Place of Business in the PRC	99 East Taihu Road Wuzhong District, Suzhou Jiangsu Province, the PRC
Principal Place of Business in Hong Kong	Room 1919, 19/F Lee Garden One, 33 Hysan Avenue Causeway Bay Hong Kong
Joint Company Secretaries	**Ms. Mao Xiaoyan** 99 East Taihu Road Wuzhong District, Suzhou Jiangsu Province, the PRC **Mr. Tsang Chun Ho** *(associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* Room 1919, 19/F Lee Garden One, 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	**Mr. Yuan Yonggang** 99 East Taihu Road Wuzhong District, Suzhou Jiangsu Province, the PRC **Ms. Mao Xiaoyan** 99 East Taihu Road Wuzhong District, Suzhou Jiangsu Province, the PRC
Audit Committee	Mr. Cai Weihua (*Chairperson*) Dr. Xu Weidong Mr. Poon Wing Shing Anthony Mr. Yuan Yonggang Mr. Zhao Xiutian
Nomination Committee	Dr. Wang Leigang (*Chairperson*) Mr. Cai Weihua Dr. Xu Weidong Mr. Yuan Yonggang Ms. Mao Xiaoyan

Remuneration and Appraisal Committee	Dr. Xu Weidong (*Chairperson*) Dr. Wang Leigang Mr. Poon Wing Shing Anthony Mr. Yuan Yongfeng Mr. Wang Xu
Strategy and ESG Committee	Mr. Yuan Yonggang (*Chairperson*) Dr. Wang Leigang Dr. Xu Weidong Mr. Cai Weihua Mr. Shan Jianbin
Compliance Advisor	**Somerley Capital Limited** 20/F China Building 29 Queen's Road Central Hong Kong

[REDACTED]

Principal Banks	**Agricultural Bank of China Limited** **Suzhou Wuzhong Branch** No.138, Dongwu (North) Road Wuzhong District, Suzhou Jiangsu Province, the PRC **Bank of China Limited** **Suzhou Wuzhong Branch** No.110, Dongwu (North) Road Wuzhong District, Suzhou Jiangsu Province, the PRC **China Construction Bank Corporation** **Suzhou Wuzhong Branch** No.51, Dongwu (North) Road Wuzhong District, Suzhou Jiangsu Province, the PRC
Company's Website	**www.dsbj.com** *(A copy of this document is available on the Company's website. Except for the information contained in this document, none of the other information contained on the Company's website forms part of this document)*

The information and statistics set out in this section and other sections of this document were extracted from a report prepared by CIC under our commission, various official government publications and other publicly available sources. We engaged CIC to prepare an independent industry report, or the CIC Report, in connection with the **[REDACTED]**. *The information from official government sources has not been independently verified by us, or any of our directors and advisors, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy.*

The digital transformation, recognized as a pivotal driver of global economic expansion, is fundamentally supported by the rapid deployment of next-generation information infrastructure, thereby establishing a solid foundation for intelligent connection. Fundamental breakthrough technologies have systematically alleviated the key bottlenecks associated with the transmission of massive volume of data, further driving continuous innovation across a broad spectrum of electronic components. As the result of the integration of 5G, IoT, and AI related technologies, data traffic is experiencing exponential growth globally, placing increasingly stringent requirements on data transmission rates, reliability, and low latency. These technical advancements provide indispensable physical and technical enablers for seamless cross-device collaboration, human-machine interaction, and high-efficiency data transmission.

OVERVIEW OF THE GLOBAL PCB INDUSTRY

Printed circuit boards (PCBs) serve as a fundamental component in electronic devices, providing critical functions such as precise electrical interconnection, low-loss signal transmission, and mechanical support for components. The continuous advancement in performance of electronic devices is driving increasingly stringent requirements for PCBs, particularly in terms of higher circuit density, enhanced signal integrity, and improved thermal management, which in turn directly fuels technological upgrades within the PCB industry.

Value Chain Analysis of the Global PCB Industry

The upstream of the global PCB industry value chain includes suppliers of raw materials and base materials. Raw materials encompass copper, glass fiber yarn, wood pulp, and synthetic resin, while base materials mainly refer to copper-clad laminates. The midstream consists of PCB manufacturers, which are responsible for the research, development, and production of PCB products. The types of products manufactured include FPCs, RPCBs, rigidflex PCBs, and package substrates. The downstream refers to application scenarios, covering a wide range of industries such as consumer electronics, automotive, telecommunication equipment, and data centers.

Market Size of the Global PCB Industry by Application

PCB products can be customized to address evolving application requirements through tailored design choices, specialized materials, and advanced manufacturing processes. PCBs are extensively utilized across various sectors, including consumer electronics, automotive, data centers, and telecommunications.

- **Consumer Electronics:** A specialized category of PCBs provides mechanical support and interconnections for electronic components in devices. Its product designs and technical parameters are closely aligned with the core characteristics of consumer electronics, including slim profiles, compact forms, lightweight construction, and rapid iteration cycles.

- **Automotive:** Automotive PCBs are PCBs specifically designed and manufactured for automotive electronic systems. They serve as supports for electronic components while enabling electrical connections and signal transmission between these components. These PCBs are widely applied in areas such as electrification systems, intelligent driving systems, and body control systems.

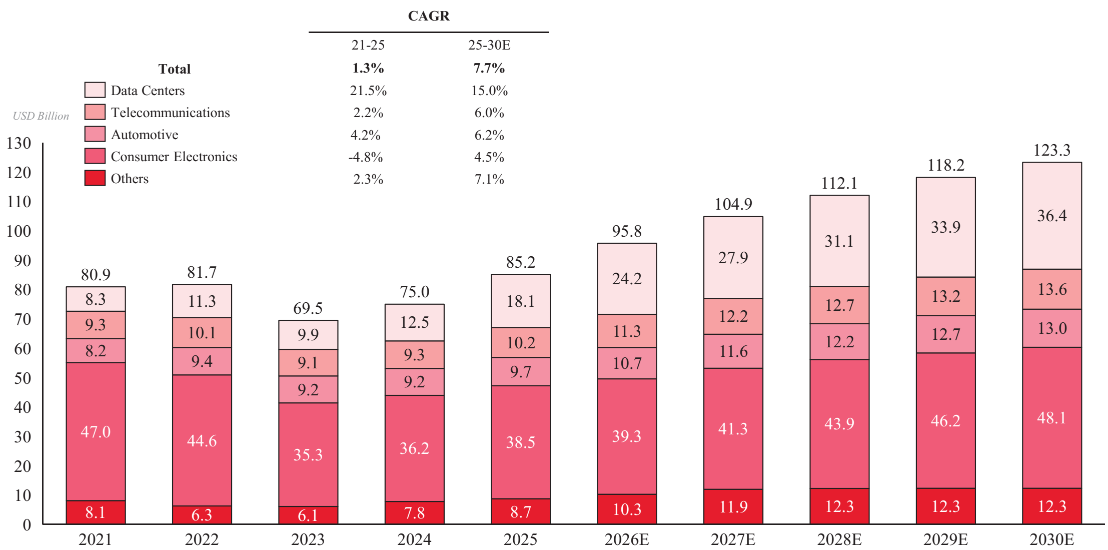
- **Data Centers:** A specialized category of PCBs mainly support the operation of general-purpose servers and AI servers, and data center switches. Data center PCBs are typically high-layer-count

PCBs and HDI that utilizing high-speed materials to facilitate massive data exchange among GPU/CPU clusters and enable high-speed signal transmission.

- **Telecommunications:** This category refers to PCB used in wired or wireless network transmission, including communication base stations, routers, switches, antennas, RF devices and backbone network transmission. The demand for PCBs within telecommunications equipment is predominantly for MLPCBs. Furthermore, 5G communication equipment imposes more stringent requirements on PCB processes and materials, necessitating capabilities for high-frequency and high-speed performance.

In 2025, the global PCB market recorded US$18.1 billion for data centers, US$10.2 billion for telecommunications, US$38.5 billion for consumer electronics and US$9.7 billion for automotive. Supported by AI and industrial intelligentisation, the four segments are forecast to rise to US$36.4 billion, US$13.6 billion, US$48.1 billion and US$13.0 billion by 2030, with corresponding CAGRs of 15.0%, 6.0%, 4.5% and 6.2% respectively. The global PCB market declined from US$81.7 billion in 2022 to US$69.5 billion in 2023, due to sluggish consumer and data center demand, macroeconomic headwinds and conservative cloud investment reduced overall PCB needs, while supply-demand imbalance intensified industry price competition.

Market Size of the Global PCB Market, by Application, 2021–2030E



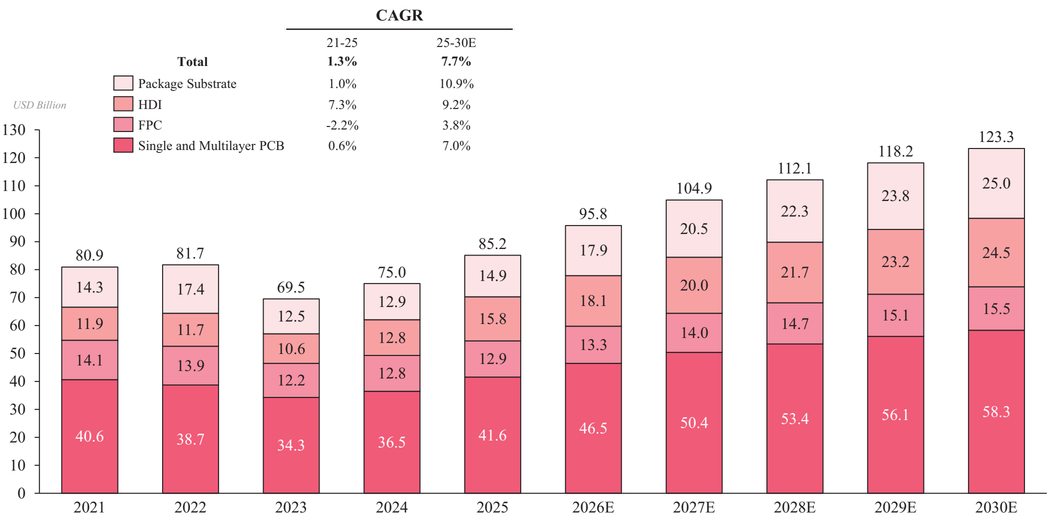
Source: Prismark, CIC Report

Note:
Others mainly refer to industrial control system, medical apparatus, etc.

Products and Segments of the Global PCB Industry

PCBs can be categorized into single and multi-layer PCBs, HDIs, FPCs, and package substrates. In 2025, the global market sizes, in terms of sales revenue, reached US$41.6 billion for single and multi-layer PCBs, US$15.8 billion for HDIs, US$12.9 billion for FPCs, and US $14.9 billion for package substrates, respectively. The global market sizes for single and multi-layer PCBs, HDI PCBs, FPCs, and package substrates are projected to reach US$58.3 billion, US$24.5 billion, US$15.5 billion, and US$25.0 billion, respectively by 2030, the corresponding CAGRs of which from 2025 to 2030 are 7.0%, 9.2%, 3.8%, and 10.9% for each segment.

Market Size of the Global PCB market, by Product Types, 2021-2030E



Source: Prismark, CIC Report

Note:
The market size of rigid-flex boards is included in that of FPCs primarily due to their core reliance on flexible substrates and the substantial overlap in manufacturing processes with FPCs, rendering them technologically and structurally affiliated with the FPC category.

Competitive Landscape of the Global PCB Market

The global PCB industry is highly competitive and fragmented with the top 10 customers accounting for 37.4% of the market share. In terms of PCB sales revenue, the Company ranked third among the global PCB market in 2025.

Ranking of the Global Providers of PCB, in Terms of Sales Revenue, 2025

Rank	Company Name	Sales Revenue (US$ million)	Market Share (%)
1	Company A	5,895.5	6.9
2	Company B	4,074.3	4.8
3	**The Company**	**3,615.3**	**4.2**
4	Company C	3,150.7	3.7
5	Company D	2,906.3	3.4
6	Company E	2,560.2	3.0
7	Company F	2,551.8	3.0
8	Company G	2,454.7	2.9
9	Company H	2,370.8	2.8
10	Company I	2,273.0	2.7
	Sum of Top 10	**31,852.6**	**37.4**

Source: Annual Reports of Listed Companies, Interviews with industry experts by CIC, CIC Report

Note:

1. Company A is a public company founded in 2006 and listed on the Taiwan Stock Exchange, headquartered in Taiwan, mainly engaged in the production and sale of diversified PCBs.
2. Company B is a public company founded in 1990 and listed on the Taiwan Stock Exchange, headquartered in Taiwan, mainly engaged in the production and sale of diversified PCBs.
3. Company C is a public company founded in 1984 and listed on the Shenzhen Stock Exchange, headquartered in Guangdong, China, primarily engaged in production and sale of diversified PCBs.

4. Company D is a public company founded in 1978 and listed on Nasdaq, headquartered in the United States, committed to providing PCBs, radio frequency and microelectronic components, as well as system integration services.
5. Company E is a public company founded in 1992 and listed on the Shenzhen Stock Exchange, headquartered in Jiangsu, China, mainly engaged in the research, development. production and sales of various types of PCBs.
6. Company F is a public company founded in 2006 and listed on the Shenzhen Stock Exchange and Hong Kong Stock Exchange, headquartered in Guangdong, China, mainly engaged in the research, development, production and sale of various PCBs.
7. Company G is a public company founded in 1973 and listed on the Taiwan Stock Exchange, headquartered in Taiwan, mainly engaged in production and sale of diversified PCBs.
8. Company H is a public company founded in 1991 and listed on the Taiwan Stock Exchange, headquartered in Taiwan, mainly engaged in the production and sale of diversified PCBs.
9. Company I is an enterprise founded in 1969 and headquartered in Japan, mainly engaged in the production and sale of diversified PCBs.

Drivers and Future Trends of the Global PCB Industry

- **Material innovation drives technological progress:** High-frequency performance with low loss, advanced thermal management, and flexible stretchability are main directions of PCB materials advancement. These material innovations directly enhance PCB performance in signal integrity, integration density, and reliability, meeting stringent demands from downstream applications. By enabling breakthroughs in high-frequency operation, precise thermal control, and mechanical flexibility, new materials are effectively addressing core challenges within high-speed, high-density, and high-power electronic systems. Furthermore, they are accelerating development in cutting-edge fields such as 5G communication, ADAS, wearable medical devices, and sustainable electronics. Consequently, dedicated R&D investment in advanced material technologies have become pivotal for capturing future opportunities and maintaining competitive edge in the global PCB industry.

- **Proliferation of Edge Computing and Edge AI Devices:** With the development of 5G, IoT, digital intelligence of consumer and automotive electronics, massive data is being generated at the edge. This will not only increase PCB volume in applications of edge AI devices, but also impose higher requirements for reliability, miniaturization, and durability in complex environments, driving technical upgrades and value enhancement for FPC, HDI, and specialty substrate PCBs at the edge.

- **Constant Growth in Demand of High-Performance PCBs:** High-performance PCB demand is growing, driven by AI (edge AI, data centers, AI-enabled automotive) and the evolution to 5G+ and potential 6G, which require higher PCB performance. These performance requirements are approaching the physical limits of traditional raw materials. High-end PCBs (with advanced technologies and materials) have higher unit value, and industry growth will focus on enterprises with core technologies focusing on the high-end market.

- **Increasing Industry Concentration Among Leading Suppliers:** Downstream customers are demanding higher levels of stability, reliability of delivery, and technical collaborative support from suppliers. As downstream customers may face high validation costs, technical integration costs, and potential production disruption risks of switching suppliers, they prefer to establish long-term, stable partnerships with certified and leading PCB manufacturers. This trend is contributing to the increasing concentration level of the industry.

Entry Barriers of the Global PCB Industry

- **Customer Certification:** Customer certification serves as a critical entry barrier in the PCB industry. Key customers implement rigorous supplier audits and lengthy product qualification tests, and maintain long-term stable cooperation with qualified suppliers with high customer stickiness. New entrants require substantial time and capital to complete complex certification procedures, making it difficult to obtain customer recognition and core orders in a short period.

- **Capital Investment Barriers:** Capital barriers in the global PCB industry are mainly concentrated in equipment, R&D, and capacity expansion. Regarding equipment, PCB manufacturing necessitates high-end specialized equipment such as drilling machines, exposure machines, and plating lines. The equipment carries high price tags and may entail substantial maintenance and upgrade costs. In terms of R&D, companies have to continuously commit significant funds to new material development, process optimization, and product innovation so that they could meet the escalating demands for high-speed signal transmission, miniaturized design, and multi-functional integration in consumer electronics and data centers. For capacity expansion, the high production and R&D costs raise the economies of scale threshold in the PCB industry. New entrants need to consistently invest in high-standard production lines, leveraging effect of large-scale production to spread fixed costs and achieve unit cost competitiveness. Consequently, small and medium-sized PCB companies have relatively limited capital resources to compete with industry giants in equipment, technology, and production capacity.

- **Supply Chain Barriers:** Core raw materials (e.g., copper foil, copper-clad laminates) determine product performance and cost, while high-end raw materials have concentrated supply and high cooperation barriers. Leading enterprises have stable cooperation with core suppliers and global layout capabilities to avoid supply risks, while new entrants struggle to obtain stable high-end raw materials and lack related operational capabilities, being at a disadvantaged position in terms of production stability and cost control.

- **R&D and Technology Barriers:** Leading enterprises have established technical barriers through long-term R&D investment and accumulation, mastering customized design, advanced manufacturing processes, core technologies and yield control. New entrants lack stable R&D funding, core technology accumulation and production experience, making it difficult to break through technical bottlenecks and penetrate the high-end market.

Cost of the Global PCB Industry

The primary raw material of PCBs are copper-clad laminates, copper foil, and copper balls. Copper-based materials account for 70% of the total raw material cost of PCB substrate, with the intrinsic value of copper constituting approximately 30%-40% of the total cost of these primary copper-based materials. The global annual average copper settlement price increased from US$9,317.5 per MT in 2021 to US$10,800.0 per MT in 2025. In the future, the global annual average copper settlement price is projected to reach US$12,394.0 per MT by 2030. This upward trajectory is primarily attributed to demand growth, driven by the global energy transition and the expansion of new infrastructure such as data centers, which is expected to consistently outpace supply growth constrained by factors including declining ore grades and limited new capacity additions in the mining sector.

OVERVIEW OF THE GLOBAL FPC INDUSTRY

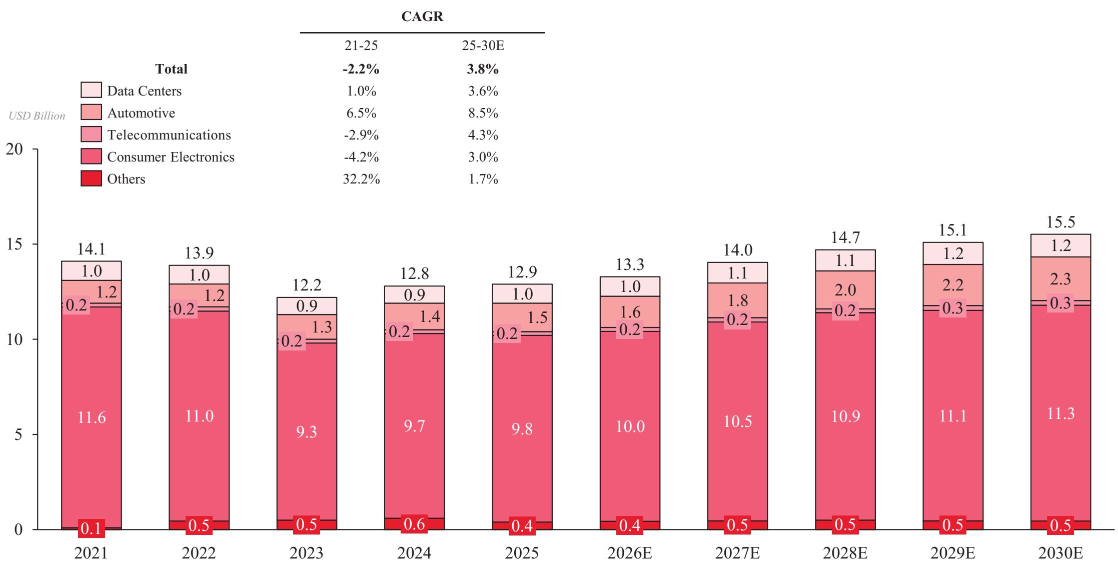
FPC refers to a type of PCB manufactured using flexible copper-clad laminates as the base material, featuring bendable and foldable properties. Endowed with performance advantages such as thinness, light weight, and high wiring density, FPC serves as a critical foundational component for achieving miniaturization, lightweight design, and highly reliable connection of electronic devices.

In consumer electronics, FPC is the mainstream solution for enabling high-speed signal transmission between internal modules, including display modules, cameras, and biometric modules, of smartphones, tablets, and wearable devices. In the automotive field, FPC is most commonly applied in automotive battery management systems (BMS) and in-vehicle displays. In industrial control, leveraging its high durability and spatial adaptability in complex environments, FPC supports industrial equipment in achieving stable and efficient connectivity. As edge AI devices pack more functions into smaller designs, FPCs, which enable 3D wiring and high-density connectivity, will see rising demand driven by the move toward high-end and customized products, making them a key driver of value in the edge-side PCB industry.

Market Size of the Global FPC Industry by Applications

The global FPC market has maintained a steady growth trend. Its market size reached US$12.9 billion in 2025 and is expected to grow to US$15.5 billion by 2030 with a CAGR of 3.8%. From 2026 to 2030, the consumer electronics market will continue to drive the expansion of the FPC market, supported by the growing shipment volumes of edge AI devices, such as smartphones, AR/VR devices, and wearable devices. On the other hand, the automotive is the fastest-growing application area for global FPC.

Market Size of the Global FPC Market, by Application, 2021-2030E



Source: Prismark, CIC Report

Note: Others mainly refer to industrial control system, medical apparatus, etc.

Competitive Landscape of the Global FPC Industry

Against the backdrop of the current global economic recovery and rapid technological advancement, the FPC industry is undergoing continuous transformation and consolidation, characterized by high industry concentration and intense competition. Additionally, driven by technological innovation and digital transformation, enterprises with leading advantages are demonstrating stronger competitiveness and influence in the market. The global FPC market features intense competition, while the competitive landscape among top players is relatively concentrated. In terms of sales revenue, the Company ranked the second in the global FPC market in 2025.

Ranking of the Global Providers of PCB, in terms of Sales Revenue of FPC, 2025

Rank	Company Name	Sales Revenue (US$ million)	Market Share (%)
1	Company A	4,030.3	31.2
2	**The Company**	**3,159.7**	**24.5**
3	Company I	1,405.6	10.9
4	Company J	911.4	7.1
5	Company K	721.9	5.6
6	Company L	574.2	4.4
7	Company M	527.3	4.1
8	Company N	401.6	3.1
9	Company O	314.0	2.4
10	Company P	278.8	2.2
	Sum of the Top 10	**12,324.8**	**95.5**

Source: Annual Reports of Listed Companies, Interviews with industry experts by CIC, CIC Report

Note:

1. Company J is a company founded in 1999 and listed on the Korea Exchange, headquartered in South Korea, mainly engaged in the research and development, production and sales of FPCs and related application components.
2. Company K is a public company founded in 2000 and listed on the Taiwan Stock Exchange, headquartered in Taiwan, mainly engaged in the research and development, production and sales of FPCs.
3. Company L is a public company founded in 1993 and listed on the Shanghai Stock Exchange, headquartered in Guangdong, China, mainly engaged in the research and development, production and sales of diversified PCBs.
4. Company M is a public company founded in 2003 and listed on the Shenzhen Stock Exchange, headquartered in Fujian, China, mainly engaged in the research and development, production and sales of FPCs.
5. Company N is a public company founded in 1918 and listed on the Tokyo Stock Exchange, headquartered in Japan, mainly engaged in the research, development, manufacturing and sales of advanced functional materials and FPCs.
6. Company O is a public company founded in 1897 and listed on the Tokyo Stock Exchange, headquartered in Japan, mainly engaged in the research, development, production and sales of electrical wires/cables, electronic components, automotive parts and FPCs.
7. Company P is a public company founded in 1885 and listed on the Tokyo Stock Exchange, headquartered in Japan, mainly engaged in the research, development, production and sales of optical fibers, cables, FPCs and electronic components.

Drivers and Future Trends of the Global FPC Industry

- **Thinness, Lightweight Design and Multi-Functional Integration of Edge AI Device:** Edge AI devices continue to evolve toward greater thinness, lightness, and compactness while integrating more complex functions, driving the growth in demand for FPC. With its bendability and high-density wiring capabilities, FPC has become an ideal choice for connecting various modules within limited spaces, effectively meeting the stringent requirements for product miniaturization and functional integration.

- **Rapid Development of Innovative Consumer Electronics Spurs Further FPC Demand Growth:** In recent years, the consumer electronics market has witnessed continuous innovation, with emerging segments such as AR/VR devices, wearable devices, and foldable smartphones experiencing rapid demand growth, further fueling demand in the FPC market. In the AR/VR sector, advancements in chips, display technologies, and communication methods have propelled the industry into a phase of rapid growth. The global shipment volume of AR/VR devices is expected to reach approximately 50 million units by 2030. In the wearable device segment, products need to accommodate more components to enable additional functions while maintaining lightweight and integrated features, which further increases requirements for wiring density. This will lead to a growing proportion of FPC usage per device.

- **Electrification, Intelligence, Integration, and Lightweight Trends in Automotive Boost In-Vehicle FPC Demand:** FPC's advantages, including high wiring density, light weight, thin thickness, foldability, 3D wiring, and safety, are unparalleled by other types of circuit boards. These advantages align better with the downstream trends of lightweight, intelligent, and integrated electronic products, making FPC particularly suitable for EV. As automotive advance toward electrification and intelligence, the share of automotive electronics in total automotive costs is projected to reach 50% by 2030. With the rise in electrification levels, the demand for electronic components in automotive autonomous driving systems, infotainment systems, lighting systems, display systems, power systems, BMS, and sensors will expand. Correspondingly, the demand for FPC used to connect these electronic components will increase, further driving growth in in-vehicle FPC demand.

OVERVIEW OF THE GLOBAL PCB INDUSTRY FOR EDGE AI DEVICES

Growth and Value Proposition of the Global Edge AI Device Industry

Edge AI refers to a technology where AI models are deployed at edge nodes close to data generation sources. Edge AI devices are specifically intelligent hardware integrated with this technology, enabling them to directly perform data collection, processing, AI model inference, and decision-making locally at the point of data generation. Compared with cloud-based IoT equipment, it features lower latency, better data privacy and higher operational stability. Edge AI devices require high computing power in a compact size, bringing stringent requirements for PCBs. Relevant circuit boards need high integration density to accommodate densely arranged core components, excellent thermal management to dissipate heat from high-power AI chips, and strong environmental adaptability to withstand temperature changes, vibration and electromagnetic interference in automotive, industrial and other complex scenarios.

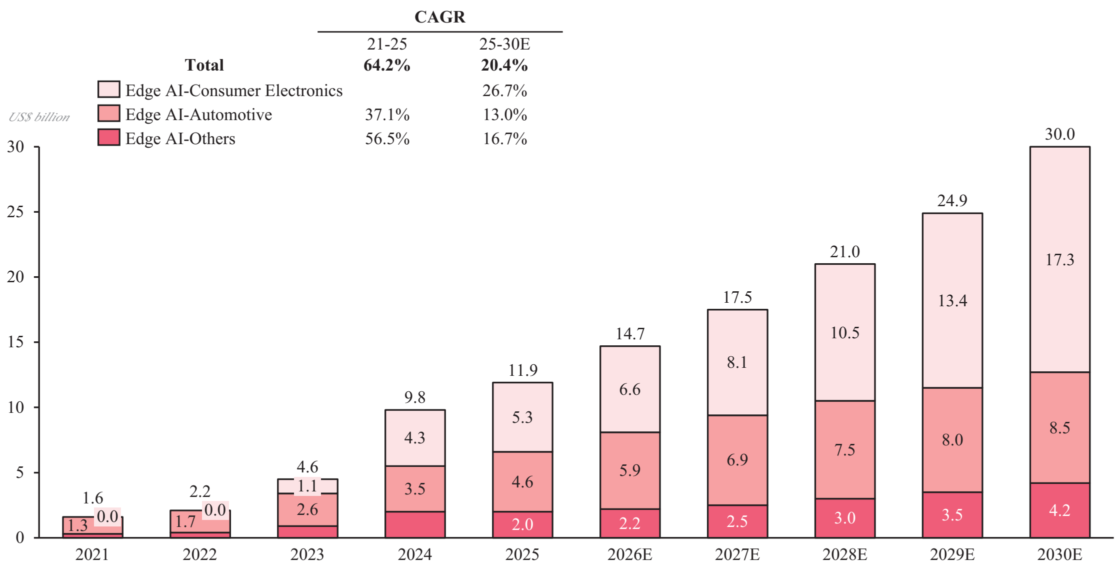
With technological advancement, edge AI has been widely applied in consumer electronics, wearables, XR devices and smart home products. In particular, automotive electrification and intelligent transformation have further driven the rapid development of edge AI terminal applications.

Market Size of the Global PCB Industry For Edge AI Devices

The commercialization of edge AI technology is becoming a core factor driving the upgrading and value restructuring of the edge AI device industry. Edge AI devices mainly include AI-enabled consumer electronics, industrial device, and medical devices, among others. On one hand, in the field of AI-enabled consumer electronics, a new cycle of hardware upgrades and increasing the value per unit further drive the market growth. On the other hand, edge AI is a key technology for ADAS and human vehicle co-piloting in intelligent cockpits in the AI-enabled automotive industry, driving automobiles to evolve from transportation tools to mobile intelligent spaces.

As the core carrier supporting AI computing at edge nodes, the market size of the global PCB industry for edge AI devices has expanded rapidly amid the explosive growth in demand for edge computing power. The global PCB market for edge AI devices is part of the overall global PCB market, corresponding to the market size of PCBs deployed in edge AI devices. It is a key driver for the global PCB market's future growth, with its share steadily increasing. In 2025, the global PCB industry for edge AI devices exceeded US$ 11.9 billion, with a CAGR of 64.2% from 2021 to 2025. From a growth perspective, driven by the penetration of generative AI in edge scenarios and the accelerated deployment of edge AI device, the market will enter a period of high-speed growth. It is projected that the global edge AI PCB market size will increase to US$ 30.0 billion by 2030, representing a CAGR of 20.4% from 2025 to 2030, significantly outpacing the overall growth rate of the global PCB industry.

Market Size of the Global PCB Industry for Edge AI Devices[1], by Application, 2021–2030E



Source: Interviews with industry experts by CIC, CIC Report

Note:

1. The revenue used for ranking the Group's market position in the global PCB market for edge AI devices is calculated based on the Group's revenue segmented by application scenarios
2. Others mainly refer to industrial control system, medical apparatus, etc.

Competitive Landscape of the Global PCB Industry for Edge AI Devices

The global PCB industry for edge AI devices is highly focused on providing high-performance and high-reliability PCB solutions for edge AI devices. This market features high technical barriers and has formed a notably concentrated competitive landscape, dominated by a small number of leading enterprises with cutting-edge technologies, large-scale production capacity, and core customer resources across multiple sectors. In terms of sales revenue, the Company ranked first in the market in 2025. In the future, as the demand for edge AI computing power continues to rise, leading enterprises with high-end product mass production capabilities, close customer partnerships, and advanced manufacturing processes will further expand their competitive advantages, and the industry concentration is expected to keep increasing. These leading enterprises are actively advancing the globalization and intelligent upgrading of production capacity to meet the strict requirements of edge AI computing power demand for PCB performance, scale, and delivery efficiency.

Ranking of the Global Providers of PCB Industry for Edge AI Devices, in terms of Sales Revenue, 2025

Rank	Company Name	Sales Revenue (US$ million)	Market Share (%)
1	**The Company**	**3,186.7**	**26.9**
2	Company A	3,166.9	26.7
3	Company G	713.9	6.0
4	Company L	705.1	5.9
5	Company I	691.0	5.8
6	Company F	509.1	4.3
7	Company B	483.3	4.1
8	Company C	390.1	3.3
9	Company D	372.0	3.1
10	Company H	312.9	2.6
	Sum of Top 10	**10,531.0**	**88.7**

Source: Annual Reports of Listed Companies, Interviews with industry experts by CIC, CIC Report

Note:

1. The revenue amount used in ranking the Group's market position in the global PCB market for edge AI devices is calculated based on the Group's revenue segmented by application scenarios in 2025.

Drivers and Future Trends of the Global PCB Industry for Edge AI Devices

- **The Deployment of AI Applications at the Edge:** The deployment of AI applications at the edge drives demand for high-performance, low-latency PCBs in intelligent scenarios like consumer electronics and smart vehicles. In the smart vehicle sector, the iteration of ADAS, intelligent cockpits, and connected car functions raises higher requirements for automotive PCBs in high-frequency, high-temperature reliability, and long-term stability; in the consumer electronics industry, a large number of devices need local real-time data processing and decision-making, enable PCBs to evolve toward high-density integration, low signal loss, and miniaturization. In the future, with the development of telecommunications and deeper collaboration between the edge and data center, PCB will continue to upgrade toward higher frequency, higher speed, better heat dissipation, and higher reliability.

- **Innovation in Consumer Electronics Drives New Growth:** Driven by AI technology, consumer electronics are undergoing continuous innovation, driving the development of the global PCB industry for edge AI devices through performance, form factor, and functionality. Firstly, enhanced performance drives PCBs toward high-end advancement. To support local AI computing, devices require more powerful processors, which in turn demand PCBs with increased layer counts, low-loss high-speed materials, and more precise wiring processes, such as advanced HDI and Substrate-Like PCB (SLP) technologies. Secondly, miniaturized form factors are driving PCBs toward higher density and flexibility. To accommodate the compact structures of foldable screens, wearable devices, and other compact products, PCBs must achieve greater integration within a smaller footprint. As a result, HDI and FPC technologies have been widely adopted. Thirdly, diversified functions are spurring upgrades in PCBs' heat dissipation capabilities and integration levels. Complex functionalities such as multi-sensor fusion require PCBs to utilize specialized materials and adopt technologies such as System-in-Package (SiP) to ensure stable operation. The AI-driven trends of intelligence, slimness, and multi-functionality in consumer electronics continuously drive continuous upgrades in PCB for edge AI devices across materials, design, and processes via these three pathways, giving strong growth momentum into the industry.

- **A Strong Demand in Automotive Scenarios Drives the Growth of PCB Market:** the automotive sector has become a core demand segment within the whole market. As L3-L4 autonomous driving technologies accelerate their penetration, their penetration rate is projected to exceed 55% by 2025, driving up the PCB value per vehicle. Among these, high-frequency PCBs for edge AI devices used in millimeter-wave radar modules cost more than three times that of ordinary automotive PCBs, highlighting the critical role and high-value-added nature of high-end automotive PCBs in autonomous driving systems. As the complexity of autonomous driving functions continues to rise, systems are placing higher demands on PCBs for edge AI devices, in terms of signal transmission stability, high-temperature resistance, and anti-electromagnetic interference capabilities. This trend is prompting the industry to increase R&D investment, driving product iteration toward multi-layer, high-frequency, and high-speed directions. Meanwhile, the rapid popularization of EV and intelligent connected automotive is driving sustained growth in demand for PCBs for edge AI devices, and the market size of this segment is expected to expand further in the future.

- **Leading companies solidify their market dominance through capacity scaling and M&A integration:** Rising technical and capital barriers in the edge AI sector raise operational requirements for PCB manufacturers. Edge AI devices in consumer electronics and automotive have differentiated PCB needs, so manufacturers need cross-sector technical capabilities to meet stringent computing and signal integrity demands. Increased investment in high-end production lines and R&D further lifts industry thresholds. Market leaders consolidate dominance by expanding global high-end capacity and conducting strategic M&A to acquire core patents, complementary products and high-quality customers, accelerating industry resource concentration toward leading players with strong technology, capital and customer coverage.

OVERVIEW OF THE GLOBAL OPTICAL TRANSCEIVER INDUSTRY

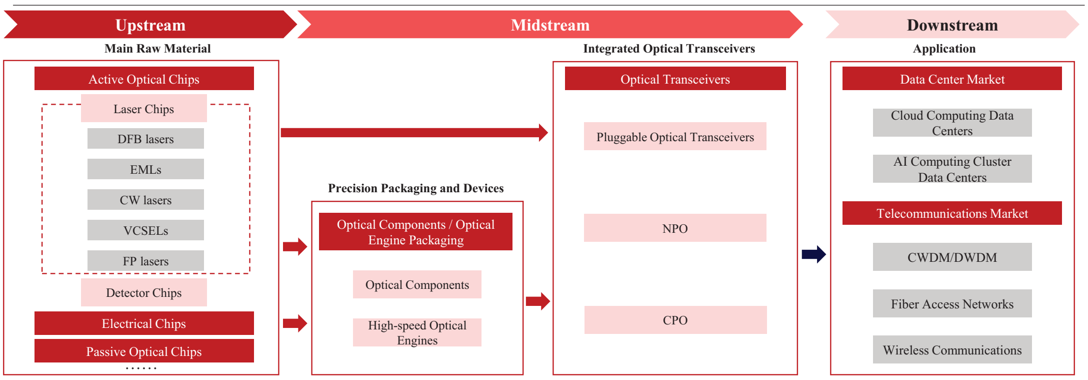
Development Background of the Global Optical Transceiver Industry

Optical transceiver technology represents a next-generation communication technology that has overcome the physical transmission bottlenecks of traditional electrical communication. Through an electrical-optical-electrical signal conversion mechanism and leveraging the optical signal transmission characteristics of optical fibers, optical transceiver technology has established generational advantages across key dimensions such as bandwidth capacity, transmission distance, anti-interference capability, and energy efficiency density. It systematically addresses the core transmission challenges of large-volume data interaction and wide-area connectivity in the digital era, and while supporting the upgrade of communication networks, it fully empowers computing infrastructure.

Analysis of the Global Optical Transceiver Industry Chain

The upstream segment of the optical transceiver industry chain mainly includes active optical chips, electrical chips and passive optical chips. Optical chips are upstream of the optical transceiver industrial chain, constituting a key link with high technical barriers and sophisticated manufacturing processes. Their performance directly underpins the transmission speed and energy efficiency of downstream optical devices, optical transceivers and the entire optical communication system. Driven by booming growth in the optical transceiver market, rapid penetration of emerging technologies including silicon photonics, and rising end-market demand for high-performance optical transceivers, the optical chip industry has registered robust expansion. As an essential core component of optical transceivers, optical chips stand to benefit materially from the aforesaid industry trends, fueling their rapid development amid a prevailing market supply shortage. The midstream of the industry value chain comprises optical transceivers. Optical and electronic components are integrated into optical transceivers to enable efficient data transmission across networks. Transmission rate is the core performance indicator, directly determining their data transmission efficiency and adaptability to downstream scenarios. The optical transceiver industry is categorized into low-to-medium speed and high-speed products based on transmission rate. The downstream application scenarios of the optical transceiver industry cover datacom scenarios and telecom scenarios. The differentiated demands of these two types of scenarios have driven optical transceiver technology to achieve breakthroughs in multiple dimensions.

Industry Value Chain Analysis of the Global Optical Transceiver



Source: CIC Report

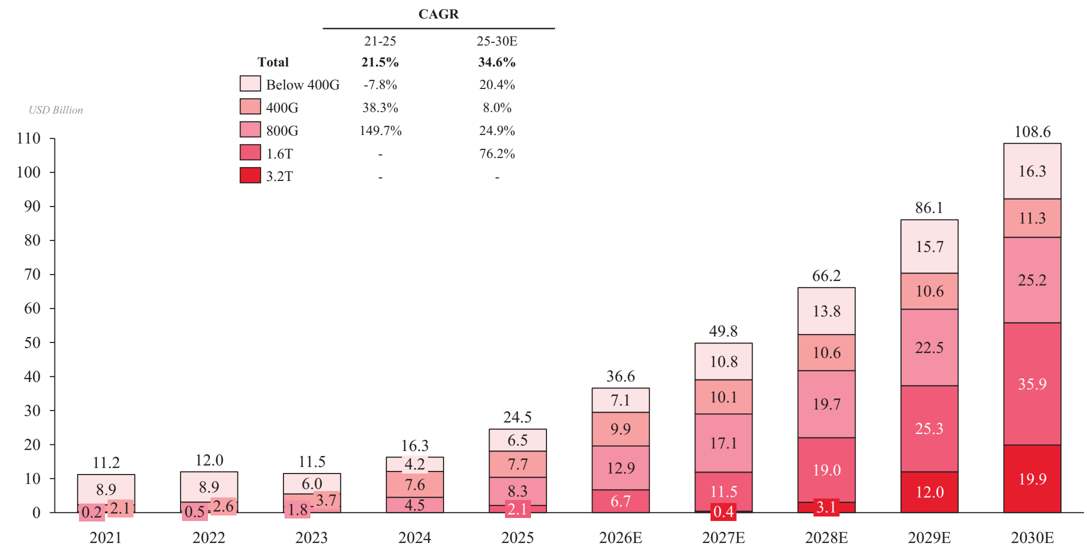
Analysis of Technological Leadership in the Global Optical Transceiver Industry

Market Size of the Global Optical Transceiver Industry

Optical transceivers are core components to break data transmission bottlenecks. Driven primarily by AI large model training's surging demand for high-bandwidth, low-latency interconnection, the global market grew from US$11.2 billion in 2021 to US$24.5 billion in 2025, representing a CAGR of 21.5% and is projected to reach US$108.6 billion by 2030. Industry growth is underpinned by technological iteration, including EML solutions retaining targeted performance advantages, silicon photonics gaining traction in high-speed interconnects, and upstream optical chip breakthroughs solidifying the industry foundation.

For product lines, 800G transceivers saw explosive growth; 1.6T products have entered mass production and become a core growth driver; 3.2T products remain in R&D; while traditional 400G and lower-rate transceivers have seen a significant growth slowdown.

Market Size of the Global Optical Transceiver Market, by Transmission Rate, 2021-2030E

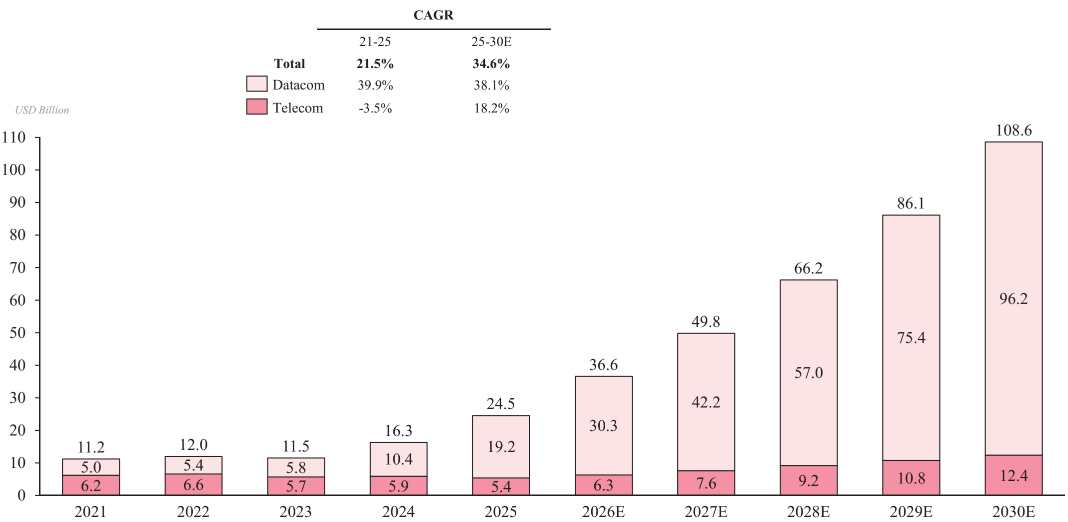


Source: LightCounting, CIC Report

Optical transceivers are categorized into datacom and telecom segments by core application: the datacom segment focuses on high-speed connectivity within and across data centers, while the telecom segment serves long-distance transmission over wide-area networks. The datacom segment, driven by global computing infrastructure expansion, has become the core growth engine of the optical transceiver market.

From 2021 to 2025, global data center construction accelerated amid exponential growth in AI large model training-driven computing power demand and sustained computing infrastructure investment from cloud service providers. The datacom optical transceiver market to grow from US$5.0 billion in 2021 to US$19.2 billion in 2025, with a CAGR of 39.9%. Looking ahead, the datacom segment will see further strengthened demand resilience. Driven by rising cloud data center investment shifting toward computing power clustering, and superlinear computing power growth from AI model scaling, the datacom market is projected to reach US$96.2 billion by 2030, with a 38.1% CAGR from 2025 to 2030. In-datacenter demand for extreme bandwidth density and energy efficiency has spurred the development of low-power solutions including LPO and CPO technology, while SiPh technology is gaining higher penetration in high-speed products for its high integration and cost advantages.

Market Size of the Global Optical Transceivers, by Application, 2021-2030E



Source: LightCounting, CIC Report

Competition Landscape of the Global Optical Transceiver Industry

The global optical transceiver industry is propelled by growing demand for high-speed data transmission. Its competitive landscape is highly concentrated, wherein a few leading enterprises hold a substantial market share. This is largely attributable to their technological leadership in high-speed (800G and above), high-reliability products and consistent supply enabled by their stable mass-production capabilities.

Meanwhile, the rising R&D costs and stringent quality requirements in core application fields such as data centers and 5G base stations have further intensified this concentration trend, setting a high threshold for new entrants. The global optical transceiver industry is exhibiting trends of technology-driven development and vertical industrial chain integration; leading industry participants will continue to enhance their market share by continuously improving their R&D capabilities and mass production capacity.

In the competitive landscape of global optical transceiver suppliers, the Company ranked seventh in 2025, with a market share of 2.9%. Furthermore, the Company maintains a leading position in terms of production volume of optical chips. In 2025, it ranked sixth globally in terms of optical chip production volume, accounting for 8.6% of the market.

Ranking of Optical Transceiver Suppliers, in Terms of Sales Revenue of Optical Transceivers, 2025

Rank	Company Name	Revenue (US$ million)	Market Share (%)
1	Company Q	5,285.5	21.5
2	Company R	3,505.5	14.3
3	Company S	2,648.1	10.8
4	Company T	1,194.2	4.9
5	Company U	922.1	3.8
6	Company V	860.3	3.5
7	**The Company**	**714.5**	**2.9**
8	Company W	655.8	2.7
9	Company X	651.0	2.7
10	Company Y	236.4	1.0
	Sum of the Top 10	**16,673.4**	**68.1**

Source: Annual Reports of Listed Companies, Interviews with industry experts by CIC, CIC Report

Note:

1. Company Q is a public company founded in 2005 and listed on the Shenzhen Stock Exchange, headquartered in Shandong, China, focusing on the research and development as well as manufacturing of optical transceivers.
2. Company R is a public company founded in 2008 and listed on the Shenzhen Stock Exchange, headquartered in Sichuan, China, focusing on the research and development as well as manufacturing of optical transceivers.
3. Company S is a public company founded in 1966 and listed on the New York Stock Exchange, headquartered in the United States, developing, manufacturing and selling lasers, transceivers, as well as other optical and optoelectronic devices, modules, systems and engineering materials.
4. Company T is a public company founded in 2001 and listed on the Shenzhen Stock Exchange, headquartered in Hubei, China, and mainly engaged in the research, development, manufacturing and sales of optoelectronic components and transceivers.
5. Company U is a public company founded in 2003 and listed on the Shenzhen Stock Exchange, headquartered in Shandong, China, focusing on the research, development and mass production of optical transceivers, optical chips and optical network terminal products.
6. Company V is a public company founded in 1999 and listed on the Shenzhen Stock Exchange, headquartered in Hubei, China, mainly engaged in the research, development, manufacturing and technical services of optical transceivers, laser processing equipment and sensors.
7. Company W is a public company founded in 2015 and listed on NASDAQ, headquartered in the United States, mainly engaged in the design and manufacturing of optical transceivers, optical chips and optical network terminal products.
8. Company X is a public company founded in 1995 and listed on NASDAQ, headquartered in the United States, mainly engaged in the research, development, design and supply of semiconductor chips and optical transceivers.
9. Company Y is a public company founded in 2006 and listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong, headquartered in Shanghai, China, mainly engaged in the R&D, production and sales of optical transceivers, telecom broadband terminals, wireless networks and small cells.

Ranking of Optical Transceiver Suppliers, in Terms of Production Volume of High-Speed Optical Chips, 2025

Rank	Company Name	Shipment (thousands)	Market Share (%)
1	Company W	~74,000.0	27.7
2	Company S	~56,000.0	21.0
3	Company Z	~35,700.0	13.4
4	Company AA	~25,900.0	9.7
5	Company O	~25,450.0	9.5
6	**The Company**	**~23,000.0**	**8.6**
7	Company BB	~11,200.0	4.2
8	Company CC	~3,680.0	1.4
9	Company DD	~2,800.0	1.0
10	Company EE	~1,400.0	0.5
	Sum of the Top 10	**~259,130.0**	**97.0**

Source: Annual Reports of Listed Companies, Interviews with industry experts by CIC, CIC Report

Note:

1. Company Z is a public company founded in 1991 and listed on NASDAQ, headquartered in the United States, mainly engaged in the design, development and supply of semiconductors, enterprise software and optical chips.
2. Company AA is a public company founded in 1921 and listed on the Tokyo Stock Exchange, headquartered in Japan, mainly engaged in the research, development and manufacturing of electrical equipment, electronic components, automotive parts and optical chips.
3. Company BB is a public company founded in 1935 and listed on the Tokyo Stock Exchange, headquartered in Japan, mainly providing IT products such as servers and optical transmission systems, as well as solutions including system integration and consulting services.
4. Company CC is a public company founded in 2013 and listed on the Shanghai Stock Exchange, headquartered in Shanxi, China, mainly engaged in the research and development, design, production and sales of optical chips.
5. Company DD is a public company founded in 2012 and listed on the Shanghai Stock Exchange, headquartered in Jiangsu, China, mainly engaged in the research and development and manufacturing of high-power semiconductor laser chips, optical transceiver chips and other products.
6. Company EE is a public company founded in 2018 and listed on the Shanghai Stock Exchange, headquartered in Hubei, China, mainly engaged in the research, development and manufacturing of optical transceiver lasers, optical chips as well as packaging products.

Drivers and Future Trends of the Global Optical Transceiver Market

- **AI training requires massive collaborative computing with GPUs, and the number of optical transceivers paired with GPUs continues to rise:** The core demand for GPU collaborative computing efficiency in large AI model training has directly driven the development of the optical transceiver industry. Traditional general-purpose servers focus on single-machine computing, with a demand for only 2–4 optical transceiver ports per machine. In contrast, AI servers need to support multi-GPU parallel computing. Taking mainstream models equipped with 8 GPUs as an example, their optical transceiver port configuration has increased to 24–32 ports—representing a 6–8 times increase in port density compared to traditional models, which directly meets the high-frequency data interaction needs between multiple GPUs. As GPU computing clusters scale up to 100,000-GPU clusters, the ratio of optical transceivers to individual GPUs is evolving from 1:1 to 1:4. This means the demand for optical transceivers per cabinet will increase by 3–4 times as the ratio upgrades, becoming a core growth driver for overall optical transceiver demand.

- **AI Data Center Cluster Scale Expansion Drives Optical Transceiver Rate Iteration:** The continuous expansion of AIDC cluster scale has made optical transceiver rates a key variable determining model training efficiency, driving rapid industry development. The data interaction volume of a 100,000-GPU cluster is more than 10 times higher than that of a 10,000-GPU cluster. Traditional optical transceivers with rates of 400G and below can no longer meet the low-latency and high-bandwidth transmission requirements, making high-speed optical transceivers shift from an optional configuration to a necessity.

- **CPO Technology Unlocks Extreme Density and Business Model Innovation:** CPO technology, by deeply integrating optical transceivers with switch chips, not only reduces the package size by 50% and supports ultra-high-speed requirements of 3.2T and above, but also reshapes the business collaboration model of the electronic device industry. The traditional supply system where optical transceivers and switches are relatively independent is gradually evolving toward close strategic cooperation. Optical transceiver manufacturers need to participate in the design phase of switch chips in advance, and conduct in-depth collaborative R&D with switch manufacturers in aspects such as architecture planning, interface standards, and heat dissipation solutions to jointly optimize the performance of optoelectronic hybrid systems.

- **Vertical Integration of the Industry Chain Shapes Technical Barriers:** In recent years, leading global optical transceiver manufacturers have deepened vertical integration of the industry chain, establishing a full-industry-chain collaborative development system covering optical chips, optical transceivers, and optical network terminals. This has significantly enhanced their market competitiveness and supply chain resilience. In the field of optical chips, a number of enterprises have achieved independent R&D and large-scale mass production of high-speed optical chips such as EML chips. Amid the surging demand for massive data transmission, they have realized a generational leap in both technology and commercialization, while also reducing reliance on imported optical chips.

OVERVIEW OF THE GLOBAL PRECISION COMPONENT INDUSTRY

The precision component industry refers to a sector that utilizes precision machining technology, rapid prototyping technology, automatic control technology, and other related technologies to design, produce, process, assemble, and market complex and high-precision structural components, functional modules, and complete machines. This industry is characterized by high precision, high efficiency, automation, and non-standard customization. From the perspective of the industrial chain structure, the upstream of the precision component industry chain covers raw material and equipment supply, mainly including raw materials such as metal materials, as well as production equipment such as cutting and forming equipment, processing equipment, and testing and inspection equipment. The midstream of the industrial chain is the precision processing and manufacturing link, where manufacturers are responsible for processing high-precision parts and components, functional modules, and providing complete machine assembly. The downstream of the industrial chain refers to the application fields of precision component products, mainly including automotive, telecommunications and other areas.

Market Size of the Global Precision Component Industry

With the continuous upgrading of downstream manufacturing industries and the accelerated rise of emerging fields such as 5G communications, AI, and new energy vehicles, the global demand for precision component products has maintained steady growth—providing broad growth space for the development of the global precision component industry.

The global market size of precision component has grown from US$420.1 billion in 2021 to US$538.1 billion in 2025, with a CAGR of 6.4%. As the global advanced manufacturing industry continues to develop, technological progress accelerates, and intelligent manufacturing becomes more widespread, this market size is projected to reach US$743.9 billion by 2030, with a CAGR of 6.7% from 2025 to 2030.

Drivers and Future Trends of the Global Precision Component Industry

- **Intelligent Collaboration System:** Driven by the macro trends of digital transformation and intelligent manufacturing development, the precision component industry is accelerating its evolution toward a full-process intelligent collaborative manufacturing system. This is specifically reflected in two aspects: First, the in-depth integrated application of artificial intelligence (AI) algorithms and digital twin technology. By building high-precision virtual simulation models to systematically optimize process parameters, the machining accuracy of complex precision structural components can be improved to the nanometer level, while significantly shortening the product R&D cycle. Second, the widespread deployment of the Internet of Things (IoT) technology and edge computing architecture has promoted the intelligent upgrading of production workshop equipment, forming an intelligent terminal network with autonomous perception and decision-making capabilities. This further builds a closed-loop intelligent manufacturing ecosystem covering demand forecasting, flexible production, and full-lifecycle quality traceability.

- **In the Consumer Electronics Sector, the Precision Component Field Shows Trends of Digitalization, Refinement, and Customization:** As the consumer electronics industry pursues thinness, lightness, high performance, and multi-functionality, the precision component industry presents three core trends: As the consumer electronics industry pursues thinner, lighter, and higher-performance products with multifunctional designs, the precision component industry is showing clear trends of digitalization, refinement, and customization. The demand for ultra-high precision continues to grow as smartphones and wearable devices evolve toward greater integration, requiring tighter tolerances and finer surface finishes, driving manufacturers to upgrade machining and testing technologies. Meanwhile, shorter product cycles have made customization and flexible production essential, with enterprises adopting modular design and parametric programming to enable rapid product switching. In addition, policies such as the EU's Circular Economy Action Plan are accelerating the shift toward green manufacturing, increasing the use of bio-based and recyclable materials while emphasizing energy efficiency and wastewater control as key competitiveness indicators.

- **The Trends of Automotive Electrification, Intelligence, and Modularization Are Reshaping the Technical Paths and Business Models of Precision Component:** Amid the trend of automotive intelligence, the application of large AI models is reshaping the decision-making logic of the entire vehicle, making software-defined vehicles a core direction. This not only places higher requirements on the real-time performance, in-vehicle data interaction, and automotive communications but also drives the demand for more high-performance data connectivity components, communication modules, and intelligent parts, greatly promoting the development of the industry. The development of the automotive industry is accelerating, and modularization and customization will become important trends in automotive precision intelligent manufacturing. Modularization can improve efficiency and expand functions, promoting the vertical integration of the module supply chain through hardware atomization splitting, standardized interfaces, and software definition. Customization meets personalized needs through the Consumer-to-Manufacturer model, flexible production, and additive manufacturing. These two trends form an elastic synergy in the supply chain. The focus of competition lies in the scalability of modular platforms, the degree of segmentation of customized services, and data-driven capabilities. Enterprises need to establish advantages through pre-embedded hardware, software definition, and ecological synergy.

OVERVIEW OF THE GLOBAL OPTOELECTRONIC DISPLAY INDUSTRY

The optoelectronic display industry focuses on display devices that convert electrical signals into visible images. These devices serve as core components for electronic equipment to present visual content and enable information and sensory interaction. Currently, with the global popularization of consumer electronics, the accelerated development of internet communication technologies, and the penetration of AI hardware and software terminals, human demand for information interaction has surged. As a core carrier, optoelectronic display devices are widely used in fields such as automotive and consumer electronics. Driven by innovations in display technologies, the expansion of application fields, and the penetration of smart devices, the global optoelectronic display industry is expected to achieve rapid development. From the perspective of technical routes, the global optoelectronic display industry is mainly divided into two major technical routes, LCD and OLED.

Market Size of the Global Optoelectronic Display Industry

With the continuous iteration of optoelectronic display technologies and the ongoing empowerment of optoelectronic display modules by technologies such as AI and the Internet of Things (IoT), the market size of the global optoelectronic display industry has grown from US $164.2 billion in 2021 to US$200.3 billion in 2025, representing a CAGR of 5.0%. It is projected that by 2030, the size of the global optoelectronic display industry will further increase to US$264.3 billion, with a CAGR of 5.7% from 2025 to 2030.

Optoelectronic display modules are mainly applied in the automotive and consumer electronics sectors. In the automotive sector, as the automotive industry completes its strategic transformation from functional mobility tools to intelligent interactive terminals, smart cockpits—serving as the core scenario for human-vehicle interaction—are witnessing an accelerated rise in market penetration. The global adoption rate of smart cockpits is projected to exceed 80%, with a penetration rate of over 82% by 2030 in EV segment. Against this backdrop, in-vehicle display devices have evolved from traditional information presentation carriers to core media for human-vehicle interaction, enabling connectivity and communication between humans and vehicles. In the context of consumer electronics applications, the evolving demand for optoelectronic display modules in the consumer electronics industry has gradually reshaped human-machine connectivity. Driven by the dual forces of continuously improving display technology maturity and the in-depth penetration of 5G and AI technologies, optoelectronic display modules have evolved from simple image output windows to human-machine interaction hubs.

Drivers and Future Trends of the Global Optoelectronic Display Market

- **Integration of Display Forms:** In-vehicle displays are evolving from scattered functional screens to integrated central hubs, with core manifestations in the dual upgrading of form integration and computing power collaboration. At the form level, large-size and irregular-shaped displays have become standard configurations in high-end vehicle models. At the functional level, the "one-chip multi-screen" architecture is accelerating its implementation, and the popularization of domain controllers is driving the in-depth integration of display systems with ADAS and connected vehicles. This integration not only optimizes the space utilization of the cockpit but also upgrades the display system from an information presentation terminal to an intelligent interactive hub—with the value of display modules per vehicle increasing by approximately 2x compared to that of fuel-powered vehicles.

- **High-Definition Display:** With the rising penetration rate of intelligent vehicle cockpits, meeting passengers' personalized driving and entertainment needs has become a key focus in the development of in-vehicle displays. To enhance the driving and riding experience, in-vehicle displays continue to move toward high definition: their resolution is evolving from the previous 800×400 to 1920×1080 or even higher, while emerging display technologies such as flexible screens, seamless connected screens, OLED screens, and Mini LED are gradually being applied. The entertainment experience and human-machine interaction demands of intelligent cockpits are driving the high-definition development of in-vehicle displays.

- **Upgraded Interactive Experience:** Display interaction is shifting from one-way visual output to multi-modal collaboration, with AR-HUD emerging as a key driver of intelligent transformation. Currently, W-HUD solutions are the mainstream HUD solutions. However, in the future, as cockpit visualization and interaction become fully intelligent, the market share of AR-HUD solutions will continue to rise and surpass that of W-HUD solutions.

SOURCE OF INFORMATION

We engaged CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence and strategic consulting, to conduct detailed research on and analysis of Global PCB, FPC, optical transceiver, precision component, optoelectronic display industries. We have agreed to pay a fee of RMB0.5 million to CIC in connection with the preparation of the CIC Report. We have incorporated certain information from the CIC Report into this section, as well as into the "Summary", "Business", "Financial Information" sections and elsewhere in this document to provide potential investors with a comprehensive presentation of the industries where we operate.

During the preparation of the CIC Report, CIC conducted both primary and secondary research, and gathered knowledge, statistics, information and insights on industry trends within the target research markets. The primary research involved interviews with key industry experts and leading industry participants. The secondary research consisted of analyzing data from various publicly available sources, such as the National Bureau of Statistics.

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in Global PCB, FPC, optical transceiver, precision component, optoelectronic display industries throughout the forecast period, including favorable policies and wider acceptance of different levels of autonomous driving features in vehicles; and (iii) there will be no extreme force majeure or unforeseen industry regulations through which the market may be affected in either a dramatic or fundamental way during the forecast period.

APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN THE PRC

REGULATIONS ON PCB INDUSTRY

The Standard Conditions for the Printed Circuit Board Industry (《印製電路板行業規範條件》) and the Interim Measures for the Administration of Industry Standard Announcements in the Printed Circuit Board Industry (《印製電路板行業規範公告管理暫行辦法》) promulgated by the MIIT and became effective on February 1, 2019, establish a quantified standard system for printed circuit board enterprises and projects across multiple dimensions, including capacity layout and project construction, production scale and process technology, intelligent manufacturing, green manufacturing, workplace safety, social responsibility, and other dimensions.

The Catalog of Encouraged Industries for Foreign Investment (2025 Edition) (《鼓勵外商投資產業目錄（2025年版）》) (the "Encouraging Catalog") explicitly includes "high-density interconnect laminated boards, single-layer, double-layer, and multi-layer flexible boards, rigid-flex printed circuit boards and packaging substrates, flexible circuit boards with high-density and high-fine lines (line width/line spacing ≤ 0.05mm)" in the encouraged foreign investment industries.

According to the Guidance Catalog for Industrial Structure Adjustment (2024 Edition) (《產業結構調整指導目錄（2024年本）》) promulgated by the NDRC on December 27, 2023 and became effective on February 1, 2024, the printed circuit boards manufactured by the Company fall under the encouraged industries category.

REGULATIONS ON PRECISION COMPONENT INDUSTRY

On August 22, 2025, the MIIT and the SAMR issued the 2025-2026 Stable Growth Action Plan for the Electronics Manufacturing Industry (《電子信息製造業2025-2026年穩增長行動方案》), aiming at enhancing the resilience and security level of the industrial and supply chains, maintaining the economic operation of the electronics manufacturing industry within a reasonable range, and providing strong support for the stable growth of the industrial economy.

On March 7, 2025, the MIIT and the National Standardization Administration of the PRC issued National Guidelines for the Construction of Intelligent Manufacturing Standards System (2024 Edition) (《國家智能製造標準體系建設指南（2024年版）》), which focus on exploring new methods for standard development, solidifying successful experiences and innovative achievements, forming typical scenario-based systematic solution standards and guiding enterprises to apply standards to practice, building enterprise intelligent manufacturing standards systems, and promoting the high-quality development of intelligent manufacturing.

REGULATIONS ON OPTOELECTRONIC DISPLAY INDUSTRY

The Encouraging Catalog explicitly includes the research, development, and manufacturing of TFT-LCD, OLED, AMOLED, laser display, quantum dot, 3D display and other flat panel displays, as well as display screen materials and e-book materials (such as electronic ink screens) in the national encouraged foreign investment industry catalog. This policy aimed to attract foreign investment, introduce advanced technology and capital, and promote the upgrading and development of the optoelectronic display industry.

In March 2021, the MOFCOM, the General Administration of Customs (the "**GACC**"), and the State Taxation Administration jointly released the Notice on Import Tax Policies to Support the Development of the New-type Display Industry from 2021 to 2030 (《關於2021-2030年支持新型顯示產業發展進口稅收政策的通知》). From January 1, 2021 to December 31, 2030, for production enterprises of new-type display devices, self-used productive (including R&D-related) raw materials, consumables, cleanroom supporting systems, and spare parts of production equipment that cannot be produced domestically or whose performance cannot meet the requirements are exempt from import duties. For production enterprises of key raw materials and spare parts in the new-type display industry, self-used productive raw materials and consumables that cannot be produced domestically or whose performance cannot meet the requirements are also exempt from import duties. For enterprises undertaking major new-type display device projects, during the period from January 1, 2021 to December 31, 2030, when importing new equipment, except for commodities listed in the relevant non-duty-free catalog, providing customs-approved tax guarantees for unpaid taxes allows the installment payment of import-link value-added tax within a period of 6 years (72 consecutive months) after the import of the first piece of equipment. This policy significantly reduced the production costs of relevant enterprises, enhanced their international competitiveness, and promoted the large-scale development of the new-type display industry.

In March 2021, the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), adopted by the NPC, focused on strategic emerging industries such as new-generation information technology. It emphasized accelerating the innovation and application of key core technologies, strengthening factor guarantee capabilities, and cultivating and expanding new drivers of industrial development. The optoelectronic display industry, as an important part of the information technology industry, benefited from this overall strategic guidance, which provided a strong impetus for its technological innovation and industrial expansion.

REGULATIONS ON OPTICAL TRANSCEIVER INDUSTRY

On November 1, 2021, the MIIT issued the 14th Five-Year Plan for the Development of the Information and Communication Industry (《"十四五"信息通信行業發展規劃》). The plan proposes that by 2025, a new type of digital infrastructure that is high-speed, ubiquitous, integrated, interconnected, intelligent, green, safe and reliable will be basically established. Focusing on the construction of new digital infrastructure and the expansion of the digital space, 26 key development areas and 21 projects have been put forward, aiming to comprehensively improve the development quality of the industry and the ability to empower the digital transformation of the economic society.

The Guidance on the Construction of National Data Infrastructure (《國家數據基礎設施建設指引》) was promulgated in 2024 by the National Development and Reform Commission (the "**NDRC**"), the National Data Administration (the "**NDA**"), and the MIIT. This Guidance outlines a comprehensive framework for the national data ecosystem, aiming to establish circulation facilities that support a unified national data market and ensure secure and free data flow. In the realm of computing power, it mandates the development of a high-quality, diverse, and heterogenous supply system that is efficiently allocated, intelligently on-demand, green, and secure.

The Upgraded "Sail" Action Plan for Large-Scale 5G Application (《5G規模化應用"揚帆"行動升級方案》) was released in 2024 by twelve departments, including the MIIT, the NDRC and the CAC. This Action Plan sets forth quantifiable targets to be achieved by the end of 2027, which include reaching 38 5G base stations per 10,000 people, achieving a 5G personal user penetration rate of over 85%, and securing over 100 million 5G Internet of Things terminal connections. The overarching goal is to achieve comprehensive, large-scale 5G application, establishing a development paradigm characterized by universal capability, widespread application, and inclusive empowerment.

REGULATIONS ON CORPORATION AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC (the "**SCNPC**") on December 29, 1993 and became effective on July 1, 1994, and was last amended on December 29, 2023 and became effective on July 1, 2024. The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On January 1, 2020, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**") and the Regulations on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) became effective, which sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities. On December 30, 2019, the Ministry of Commerce (the "**MOFCOM**") and the State Administration for Market Regulation jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020 and pursuant to which, the establishment of the foreign invested enterprises by foreign investors and establishment through purchasing the equities of a non-foreign invested enterprise and its subsequent changes are required to submit an initial or change report through the Enterprise Registration System.

Pursuant to the FIL, China has adopted a system of national treatment which includes a negative list with respect to foreign investment administration. The negative list will set forth industries in which foreign investments are prohibited and industries in which foreign investments are restricted. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list will be treated equally. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Edition) (《外商投資准入特別管理措施（負面清單）（2024年版）》) (the "**Negative List**"), which were promulgated by the National Development and Reform Commission (the "**NDRC**") and the MOFCOM on September 6, 2024 and became effective on November 1, 2024, listed the categories of restricted, and prohibited industries. Any industry not included in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

REGULATIONS ON IMPORT AND EXPORT OF GOODS

The Customs Law of the PRC (《中華人民共和國海關法》) was promulgated by the SCNPC on January 22, 1987 and became effective on July 1, 1987, and last amended and became effective on April 29, 2021, stipulate that the customs of the PRC is a governmental organization responsible for supervision and control over all arrivals in and departures from the customs territory. All the transports, goods and articles shall enter into or exit from the territory of the PRC at a place where a customs office is established. The customs declaration and duty payment formalities may be undergone by the consignees or consignors of imported and exported goods, or by the customs clearing enterprises entrusted by such consignees or consignors. The consignees or consignors of imported and exported goods and the customs clearing enterprises shall file records with the customs when undergoing customs declaration formalities, otherwise may be imposed fines by the customs.

The Administrative Provisions of the Customs of the PRC on Record-Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the GACC on November 19, 2021 and became effective on January 1, 2022, further provides detailed requirement on the documents needed for the filing and the requirement on reporting certain changes of the filed information to the relevant customs authority.

Pursuant to the Regulations of the PRC on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) (the "**Regulations on the Administration of Import and Export of Goods**") promulgated by the State Council on December 10, 2001 and last amended on March 10, 2024, and became effective on May 1, 2024, enterprises engaged in the trade activities of importing goods into the territory of the PRC or exporting goods outside of China must comply with the Regulations on the

Administration of Import and Export of Goods. Goods whose import or export is prohibited shall not be imported or exported; goods whose import or export is restricted shall be subject to a licensing or quota system; and goods whose import or export is free shall not be subject to restriction.

REGULATIONS ON PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》)(the "**Production Safety Law**"), which was last amended on June 10, 2021 by the SCNPC and became effective on September 1, 2021, entities engaged in production and business activities in the Chinese mainland shall comply with the Production Safety Law and other laws and regulations related to production safety. Entities shall strengthen the management, establish and improve responsibility systems and polices, improve conditions, strengthen the standardized and information technology development of work safety, and improve the production level to ensure their production safety.

In accordance with the Regulations on the Safety Facilities of Construction Projects "Three Simultaneities" Supervision and Management (《建設項目安全設施"三同時"監督管理辦法》), promulgated by the former State Administration of Work Safety on April 2, 2015, and became effective on May 1, 2015, safety facilities of new construction, reconstruction and expansion projects must be designed, constructed and put into operation and use simultaneously with the main project. Enterprises are required to conduct safety pre-evaluations for construction projects, entrust preliminarily designed entities with the corresponding qualifications to design the safety facilities simultaneously, prepare safety facility designs, submit them to relevant production safety supervision and management departments for review applications and apply for the acceptance inspection of safety facilities upon completion.

REGULATIONS ON PRODUCT QUALITY

As per the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993, and was last amended on December 29, 2018 and became effective on the same date, producers shall be responsible for the quality of their products. The product quality shall meet the following requirements: (i) no unreasonable dangers endangering the safety of persons and property; where there are national or industry standards ensuring the health and safety of persons and property, such standards must be complied with; (ii) the product shall possess the properties it is supposed to possess, except where the product's flaws in their properties are explicitly stated; and (iii) the product shall comply with the product standards stated on the product or its packaging, and meet the quality conditions as represented in product descriptions, physical samples, etc.

REGULATIONS ON ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated by the SCNPC on September 13, 1979, became effective on the same date, and was last amended on April 24, 2014, and became effective on January 1, 2015. This fundamental legislation establishes the comprehensive legal framework for environmental protection in China, mandating strict compliance requirements for enterprises regarding pollution prevention, ecological conservation, and environmental management. The 2014 amendment significantly enhanced regulatory oversight and enforcement mechanisms, introducing stricter liability regimes including daily penalties for continuing violations. The law therefore requires all enterprises to establish robust internal environmental management systems to ensure full compliance with its provisions.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), which was last amended by the SCNPC on December 29, 2018 and became effective on the same date, the Regulation on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was last amended by the State Council on July 16, 2017 and became effective on October 1, 2017, and the Interim Measures for Environmental Protection Acceptance

Inspection Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the former Ministry of Environmental Protection on November 20, 2017 and became effective on the same date, the PRC implements a system to assess the environmental impact of construction projects. The construction entity shall submit an environmental impact report or an environmental impact statement for approval prior to the commencement of the construction project, or an environmental impact registration form as required by the environmental protection competent administrative department of the State Council for record. In addition, after the completion of a construction project for which an environmental impact report or an environmental impact statement has been prepared, the construction entity shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, conduct acceptance inspection on the supporting environmental protection facilities and prepare an acceptance report.

Regulations on Atmospheric Pollution

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), which was last amended by the SCNPC on October 26, 2018 and became effective on the same date, enterprises, institutions and other production and operation units shall, in accordance with the relevant national regulations and monitoring standards, monitor their emissions of industrial waste gasses or toxic and hazardous air pollutants listed in the catalog published according to Article 78 of this law, and keep the original monitoring records. Enterprises and institutions that emit industrial waste gas or toxic and hazardous air pollutants listed in the above-mentioned catalog, as well as other units that implement administration of pollution discharge permits in accordance with the law, shall obtain a pollutant discharging permit.

Regulations on Solid Wastes

According to the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was last amended on April 29, 2020 by the SCNPC and became effective on September 1, 2020, any entity or individual that generates, collects, stores, transports, utilizes or disposes of solid waste shall take measures to prevent or reduce the pollution of solid waste to the environment, and shall be responsible for the environmental pollution caused in accordance with the law. Where hazardous waste exists in solid waste, it shall be managed in accordance with hazardous waste management.

Regulations on Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) which was last amended on June 27, 2017 by the SCNPC and became effective on January 1, 2018, an enterprise or public institution or other business entity which directly or indirectly discharges industrial waste water or medical sewage to waters or waste water or sewage that may be discharged after a pollutant discharge license has been obtained as required shall obtain a pollutant discharge license.

Regulations on Pollutant Discharge

According to the Regulations on the Management of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and became effective on March 1, 2021, and the Catalog for the Classified Management of Fixed Pollution Source Discharge Permits (2019 Edition) (《固定污染源排污許可分類管理名錄（2019年版）》) promulgated by the Ministry of Ecology and Environment on December 20, 2019 and became effective on the same date, enterprises, institutions and other manufacturers subject to pollutant discharge permit management as stipulated by law must apply for and obtain a pollutant discharge permit. Without this permit, discharging pollutants is prohibited. Pollutant discharging entities with a significant volume of pollutant generation, emissions or environmental impact are subject to key management of pollutant discharge permits. Those with a smaller volume of pollutant generation, emissions and environmental impact are subject to simplified management. Entities with minimal pollutant generation, emissions and environmental impact are subject to pollutant discharge registration management.

REGULATIONS ON REAL ESTATE AND CONSTRUCTION PROJECTS

Regulations on Real Estate

The Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**") was promulgated by the NPC on May 28, 2020, and became effective on January 1, 2021. According to the Civil Code, the establishment, modification, assignment and extinguishment of real estate property rights are effective upon registration in accordance with the law; unless the law stipulates otherwise, such establishment, modification, assignment and extinguishment shall be ineffective without registration. Real estate registration shall be handled by the registration authority at the location of the property.

The Land Administration Law of the PRC (《中華人民共和國土地管理法》) was last amended by the SCNPC on August 26, 2019, and became effective on January 1, 2020. Pursuant to the Land Administration Law, construction entities that have obtained state-owned land use rights through paid leasing must pay the land use right leasing fees and other fees and expenses in accordance with the standards and methods prescribed by the State Council before they can use the land. Construction entities using state-owned land must use the land in accordance with the provisions of the contract for paid use of leased land use right or according to the provisions of the documents of approval concerning the allocation of land use right.

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》) which was last amended by the State Council on March 10, 2024 and became effective on May 1, 2024, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) which was last amended by the Ministry of Land and Resources on May 9, 2024 and became effective on the same date, provide that, among other things, the State implements a uniform real estate registration system and real estate registration shall follow the principles of strict administration, stability, continuity, and convenience for the masses.

Regulations on Construction Projects

The Construction Law of the PRC (《中華人民共和國建築法》) (the "**Construction Law**") was first promulgated by the SCNPC on November 1, 1997, and was last amended on April 23, 2019, and became effective on the same date. According to the Construction Law, before the commencement of construction work, the construction entity shall apply for a construction permit from the construction administrative department of the people's government at or above the county level where the project is located in accordance with relevant rules of the state, except for small-scale projects below the limit determined by the construction administrative department of the State Council. Construction projects approved for commencement according to the authority and procedures prescribed by the State Council are exempted from obtaining a construction permit.

The Administrative Measures for Construction Permits of Building Engineering (《建築工程施工許可管理辦法》) were first promulgated by the former Ministry of Construction of the PRC in 1999, and were last amended by the Ministry of Housing and Urban-Rural Development (the "**MOHURD**") on March 30, 2021, and became effective on the same date. According to these measures, construction entities engaging in the construction and renovation of various types of buildings and their ancillary facilities, as well as the installation of corresponding lines, pipelines, and equipment and the construction of urban municipal infrastructure projects within the territory of the PRC, shall apply for a construction permit from the competent housing and urban-rural construction department of the local people's government at or above the county level where the project is located before commencing work. Building projects with an investment of less than RMB300,000 or a construction area of less than 300 sqm may be exempt from applying for a construction permit.

The Fire Protection Law of the PRC (《中華人民共和國消防法》) was promulgated by the SCNPC on April 29, 1998, and became effective on September 1, 1998, and was last amended on April 29, 2021, and became effective on the same date. The Interim Regulations on Fire Protection Design Review and Acceptance Management of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) were first promulgated by the MOHURD on April 1, 2020, and were last amended on August 21, 2023, and became effective on October 30, 2023. In accordance with the aforementioned laws and regulations, for construction projects that are required to undergo fire safety acceptance inspections as stipulated by the State Council's housing and urban-rural development authorities, the construction entity must apply for a fire safety acceptance inspection with the housing and urban-rural development authorities.

The Administrative Measures for the Record-filing of Completion Acceptance of Building Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) were promulgated by the MOHURD on October 19, 2009, and became effective on the same date. According to these measures, construction entities shall file with the construction department of the local people's government at or above the county level where the project is located (hereinafter referred to as the filing authority) within 15 days from the date of completion and qualified acceptance of the project, in accordance with these measures.

REGULATIONS ON THE MANAGEMENT OF LEASE HOUSING

Pursuant to (i) the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), promulgated by the SCNPC on July 5, 1994 and was last amended on August 26, 2019 and became effective on January 1, 2020, and (ii) the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), promulgated by the MOHURD on December 1, 2010 and became effective on February 1, 2011, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from the execution of the property lease contract with the real estate administration department where the leased property is located. If the lessor and lessee fail to go through the registration and filing procedures, both lessor and lessee may be subject to fines.

REGULATIONS ON INTELECTUAL PROPERTY RIGHTS

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) was promulgated by the SCNPC on March 12, 1984, and was last amended on October 17, 2020, and became effective on June 1, 2021. The Detailed Rules for the Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) were promulgated by the State Council on June 15, 2001, became effective on July 1, 2001, and was last amended on December 11, 2023, and became effective on January 20, 2024. According to these laws, regulations and detailed rules, patents in China are categorized into three types: invention patents, utility model patents and design patents. The term of an invention patent right is 20 years, the term of a utility model patent is 10 years, and the term of a design patent is 15 years, all of which are calculated from the filing date. Any entity or individual that exploits another's patent must conclude a licensing agreement with the patent holder and pay royalties. Exploiting a patent without the permission of the patent holder constitutes an infringement of their patent rights.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated by the SCNPC on August 23, 1982, became effective on March 1, 1983, and was last amended on April 23, 2019, and became effective on November 1, 2019. The Regulations for the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) were promulgated by the State Council on August 3, 2002, became effective on September 15, 2002, and was last amended on April 29, 2014, and became effective on May 1, 2014. According to these laws and regulations, the validity period of a registered trademark is 10 years from the date of approval. To continue using a trademark upon the expiry of its validity, renewal procedures must be completed in accordance with the provisions within the 12 months preceding expiration. If renewal procedures are not completed within this period, a six-month extension is allowed. Each renewal extends the validity period for 10 years.

Domain Name

The Internet Domain Name Management Measures (《互聯網域名管理辦法》) were promulgated by the MIIT on August 24, 2017, and became effective on November 1, 2017 . According to these management measures, the MIIT is the primary regulatory authority for the management of Internet domain names in China. Domain name registration is processed through domain name root servers and their operating institutions, domain name registration management institutions and domain name registration service institutions established in accordance with the relevant regulations.

Computer Software Copyright

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, and became effective on the same date, regulates the registration of software copyright, the exclusive licensing contract and assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and its implementation, which impose stringent requirements on the employers in relation to entering into fixed term employment contracts, hiring of part-time employees and dismissal of employees.

The Labor Law of the PRC was promulgated by the SCNPC on July 5, 1994, and became effective on January 1, 1995, and was last amended on December 29, 2018 and became effective on the same date. The Labor Law of the PRC stipulates matters related to promoting employment, labor contracts, working hours, rest and leave, wages, labor safety and hygiene, special protection for female and minor workers, vocational training, social insurance and welfare, labor disputes, supervision and inspection, as well as legal liabilities.

The Labor Contract Law of the PRC was promulgated by the SCNPC on June 29, 2007, and became effective on January 1, 2008, and was last amended on December 28, 2012, and became effective on July 1, 2013. The Implementation Regulation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) was promulgated by the State Council on September 18, 2008, and became effective on the same date. According to the aforementioned law and regulation, a written labor contract shall be established when forming a labor relationship. Employers shall not force employees to work overtime and must pay overtime wages according to national regulations if overtime is arranged. Wages must not be lower than the local minimum wage standard and must be paid to employees promptly.

Social Insurance

The PRC Social Insurance Law (《中華人民共和國社會保險法》) (the "**Social Insurance Law**"), which was last amended by the SCNPC on December 29, 2018, and became effective on the same date, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999, and was last amended on March 24, 2019 and became effective on the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

According to the Interpretation II of the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which was promulgated on July 31, 2025 and came into effect on September 1, 2025, if the employer and its employee agree or the employee undertakes that social insurance contributions need not be paid, the People's Court shall deem such agreement or undertaking invalid. Furthermore, where the employer fails to pay social insurance contributions in accordance with the applicable laws, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to the Labor Contract Law of the PRC, the People's Court shall support such claims.

Housing Provident Fund

Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, and was last amended on March 24, 2019, and became effective on the same date, employers in the Chinese mainland shall provide their employees with housing provident fund. Employers who fail to contribute to the above housing provident funds may be ordered to make full payment within a prescribed time period by the housing provident fund management center. If an employing entity fails to make the payment towards the housing provident funds within a prescribed time limit, an application may be made to a people's court for enforcement.

REGULATIONS ON OVERSEAS INVESTMENT

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and became effective on March 1, 2018, an investor shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project, report the relevant information, and cooperate in supervisory inspection. The Measures classify overseas investment projects into sensitive and non-sensitive categories, with sensitive projects requiring approval by the NDRC and non-sensitive projects requiring recordation with the NDRC or its local branches. The regime establishes a comprehensive supervisory framework governing the entire overseas investment process, from initial project filing or approval to post-investment information reporting and operational compliance.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on March 16, 2009, lastly amended on September 6, 2014 and became effective on October 6, 2014, "overseas investment" means the acts of an enterprise legally formed in China to own a non-financial enterprise or obtain the ownership, control, or right of business management of or any other interest in an existing non-financial enterprise outside of China by formation, acquisition or merger, or other means. The MOFCOM and the provincial counterparts promulgate regulations providing that overseas investment of enterprises to be subject to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management. When an overseas enterprise invested by an enterprise conducts overseas reinvestment, the enterprise shall report to the commerce departments after completing the overseas legal procedures.

Pursuant to the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the State Administration of Foreign Exchange on July 13, 2009 and became effective on August 1, 2009 and the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關于進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015, became effective on June 1, 2015 and was partially repealed on December 30, 2019, upon obtaining the approval for overseas investment, the overseas direct investment of PRC enterprises shall apply for foreign exchange registration to the banks at their places of registration.

REGULATIONS ON FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and last amended on August 5, 2008, and became effective on the same date, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China on June 20, 1996 and became effective on July 1, 1996, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments after the relevant financial institutions have reasonably examined the authenticity of the transactions documents and their consistency with foreign exchange receipts and payments, but are not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside the PRC unless the approval of the SAFE or its local counterparts is obtained in advance.

According to the Notice of the People's Bank of China and the SAFE on the Management of Funds for Overseas Listings by Domestic Enterprises 《中國人民銀行國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》，which is promulagted on December 24, 2025, and effective from April 1, 2026, domestic enterprises listing overseas shall, within 30 business days from the first trading day of the overseas listing or the completion of the over-allotment, submit the relevant materials to a bank within the jurisdiction of the provincial-level or separately listed municipal area where the enterprise is registered to apply for overseas listing registration.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關于改革和規範資本項目結匯管理政策的通知》) promulgated by SAFE on June 9, 2016 and became effective on the same date, and the Notice of the State Administration of Foreign Exchange on Further Deepening Reform to Promote Cross-border Trade and Investment Facilitation (《國家外匯管理局關于進一步深化改革促進跨境貿易投資便利化的通知》) promulgated by SAFE on December 4, 2023, and became effective on the same date, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. SAFE may adjust the above proportion in due time according to the balance of payments. While eligible for the discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous foreign exchange settlement (including discretionary settlement and payment-based settlement) of such domestic institution. Domestic institutions' foreign exchange receipts under the capital account and the Renminbi funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the state. The funds shall not be used, directly or indirectly, for expenditures outside the scope of the enterprise's business operations or for purposes prohibited by state laws and regulations. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments other than wealth management products and structured deposits with a risk rating of Level 2 or lower. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the purchase of real estate for purposes other than self-use (except for real estate enterprises).

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business by the State Administration of Foreign Exchange (《國家外匯管理局關于優化外匯管理支持涉外業務發展的通知》) promulgated by SAFE on April 10, 2020, became effective on the same date, eligible enterprises are allowed to make domestic payments by using receipts under capital accounts, such as their capital funds, foreign credits and the income from overseas listing, with no need to provide the evidentiary materials concerning authenticity on a transaction-by-transaction basis to banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of receipts under capital accounts. Local foreign exchange authorities shall strengthen monitoring analysis and interim and post regulation.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was promulgated by the SCNPC on March 16, 2007 and last amended on December 29, 2018, and became effective on the same date, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% enterprise income tax rate as to their global income.

Enterprises that are recognized as high and new technology enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Science and Technology, the MOF and the STA on January 29, 2016, and became effective on January 1, 2016, are entitled to enjoy a preferential enterprise income tax rate of 15%, under which the validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

Value-added Tax

On December 25, 2024, the SCNPC promulgated the Value-added Tax Law of the PRC《中華人民共和國增值稅法》), which became effective on January 1, 2026. This new law establishes a unified legal framework for Value-added Tax by consolidating existing regulations and practices, maintaining the core multi-tier tax rate structure while refining tax exemption and credit mechanisms. It provides clearer guidance on taxpayer obligations, taxable activities, and computational methods, thereby enhancing the stability and transparency of China's Value-added Tax regime for businesses operating in the market.

According to the Notice on the Adjustment to Value-Added Tax Rates (《財政部、國家稅務總局關于調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the STA on April 4, 2018, and became effective on May 1, 2018, the Value-Added Tax rates of 17% and 11% applicable to the taxpayers who have Value-Added Tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (2019 No. 39 of MOF, STA and GACC), promulgated by the MOF, the STA and the GACC on March 20, 2019 and became effective on April 1, 2019, the Value-Added Tax rates of 16% and 10% applicable to the taxpayers who have Value-Added Tax taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Tax on Dividends

For Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended by the SCNPC on August 31, 2018 and became effective on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) (the "**Implementation Rules of the Individual Income Tax Law**"), which was last amended by the State Council on December 18, 2018 and became effective on January 1, 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) promulgated by the MOF, the STA and CSRC on September 7, 2015 and became effective on September 8, 2015, where an individual holds the shares of a listed company obtained from the public offering for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfers the stock of the listed company on the stock market, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Chinese mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), became effective on December 8, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Chinese mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷稅漏稅的安排》第五議定書) (the "**Fifth Protocol**"), promulgated by the STA and became effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

For Enterprise Investors

Pursuant to the EIT Law and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was last amended by the State Council on December 6, 2024, and became effective on January 20, 2025, a non-resident enterprise is subject to a reduced rate of 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (《關于中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) promulgated by the STA on November 6, 2008, and became effective on the same date, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. The Reply on the Collection of Enterprise Income Tax on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) promulgated by the STA on July 24, 2009, and became effective on the same date, further provides that PRC resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (including A shares, B shares and overseas shares) must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

According to the Arrangement between the Chinese mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關于對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including Hong Kong Securities Clearing Company Nominees Limited). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

Tax related to equity transfer income

For Individual Investors

Under the Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated by the MOF and the STA on March 30, 1998, and became effective on the same date, from January 1, 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The STA does not specify whether to continue to exempt individuals from personal income tax on the income from the transfer of shares in listed company in the newly revised Individual Income Tax Law and Implementation Rules of the Individual Income Tax Law.

For Enterprise Investors

Under the EIT Law and its implementation rules, a non-PRC resident enterprise is subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforementioned income tax payable by non-PRC resident enterprises is subject to source withholding, and the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted under applicable tax treaties or arrangements.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on June 10, 2021 and became effective on July 1, 2022, all entities and individuals who make taxable documents and conduct securities transactions within the territory of the PRC are the taxpayers of stamp duty and shall pay stamp duty. All entities and individuals who make taxable documents outside the territory of the PRC to be used within the territory of the PRC shall pay stamp duty.

REGULATIONS ON SECURITIES AND OVERSEAS LISTING

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》), which was promulgated by the SCNPC on December 29, 1998, and was last amended on December 28, 2019 and became effective on March 1, 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately.

Overseas Listings

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) and relevant five guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the "**Overseas Offering and Listing**"), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. If a PRC company fails to complete the filing procedure or the filing documents submitted by a PRC company contain misrepresentation, misleading statement or material omission, such PRC company may be subject to order to rectify, warnings and fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly responsible persons may also be subject to fines.

In addition, the Overseas Listing Trial Measures also provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the Overseas Offering and Listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the PRC domestic enterprise, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic enterprise is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

According to the Provisions on Strengthening the Confidentiality and File Management of Domestic Enterprises Related to Overseas Issuance of Securities and Listing (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) which was promulgated by the CSRC together with the MOF and National Administration of State Secrets Protection and National Archives Administration of China on February 24, 2023, and became effective on March 31, 2023, during the overseas offering and listing activities of domestic enterprises, domestic enterprises, securities companies and securities service providers providing corresponding services shall strictly abide by the relevant PRC laws and regulation as well as the requirements of the provisions, enhance legal awareness of guarding state secrets and strengthening the management of archives, establish and complete systems for confidentiality and archives work, employ necessary measures to implement the responsibility for confidentiality and archives management, and shall not divulge state secrets and work secrets of state organs, and shall not harm the interests of state and the public.

APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN SINGAPORE

Through our Singapore subsidiaries, DSBJ Singapore and MFLEX Singapore, we operate in Singapore as a manufacturer and service provider of electronic components and boards.

REGULATIONS ON EMPLOYMENT OF PERSONNEL

Regulations on Employment

The Employment Act 1968 of Singapore ("**Employment Act**") is Singapore's main labor law, which is administered by the Ministry of Manpower ("**MOM**") and sets out the basic terms and working conditions for almost all types of employees.

All employers are required to issue to their employees who (a) enter into a contract of service on or after April 1, 2016 with the employer, (b) are covered by the Employment Act and (c) are employed for 14 days or more, a written record of the key employment terms ("**KET**s") of the employee not later than 14 days after the day that the employee starts employment with the employer, or within such other period as may be prescribed in substitution. The KETs required to be provided (unless inapplicable to such employee) include, amongst others, full name of employer and employee, job title and main duties and responsibilities, start date of employment, working arrangements (such as daily working hours, number of working days per week and rest day(s)), salary period, basic salary, fixed allowances and deductions, overtime rate of pay, other salary-related components, types of leave, other medical benefits and notice period.

Regulations on Employment of Foreign Manpower

The Employment of Foreign Manpower Act 1990 of Singapore ("**EFMA**") governs the employment of foreign workers in Singapore, and the regulatory authority is MOM. Under Section 5(1) of the EFMA, no person shall employ a foreign employee unless the foreign employee has obtained a valid work pass. Any person who contravenes Section 5(1) of the EFMA shall be guilty of an offense and shall

A work pass includes, amongst others:

(a) Employment Pass, for foreign professionals, managers and executives who meet the relevant eligibility criteria and:

(i) in the financial services sector, earn at least S$5,500 per month (increasing progressively with age from age 23); or

(ii) in other sectors, earn at least S$5,000 per month (increasing progressively with age from age 23);

(b) S Pass, for skilled workers who meet the relevant eligibility criteria and:

(i) in the financial services sector, earn at least S$3,650 per month (increasing progressively with age from age 23); or

(ii) in other sectors, earn at least S$3,150 per month (increasing progressively with age from age 23);

(c) Work Permit for skilled or semi-skilled workers in the construction, manufacturing, marine shipyard, process or services sectors.

Regulations on Workplace Safety and Health

Under Section 12 of the Workplace Safety and Health Act 2006 of Singapore ("**WSHA**"), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of (a) his employees at work and (b) persons (not being his employees) who may be affected by any undertaking carried on by him in the workplace.

Regulations on Work Injury Compensation

Work injury compensation is governed by the Work Injury Compensation Act 2019 of Singapore ("**WICA**") and is regulated by the MOM. The WICA applies to any person who has entered into or works under a contract of service with an employer, except: any member of the Singapore Armed Forces; any officer of the Singapore Police Force, the Singapore Civil Defence Force, the Central Narcotics Bureau or the Singapore Prisons Service; and a domestic worker, being an individual employed in or in connection with the domestic services of any private premises. WICA provides compensation for injuries arising out of and in the course of employment, and prescribes the entitlement and calculation methods of calculating such compensation.

Under Section 7(1), an employer is liable to pay compensation for personal injury caused by an accident arising in the course of employment. Compensation is calculated under the First Schedule, subject to minimum and maximum limits and factors such as severity and permanence of injury.

Section 24(1) requires employers to maintain approved insurance for all manual workers and employees earning S$2,600 or below (excluding allowances, bonuses, etc.), in accordance with the Work Injury Compensation (Insurance) Regulations 2020. Failure to comply with Section 24(1) is an offense punishable by fine or imprisonment.

Regulations on Central Provident Fund

The Central Provident Fund ("**CPF**") is a mandatory social security savings scheme funded by contributions from employers and employees. The Central Provident Fund Act 1953 of Singapore ("**CPF Act**") governs the contributions made by employers and employees into the CPF, and the CPF Act is administered by the Central Provident Fund Board.

Section 7(1) of the CPF Act provides that subject to Section 69 of the CPF Act and any regulations made under Section 77(1) of the CPF Act, every employer of an employee must pay to the CPF monthly in respect of each employee contributions at the appropriate rates set out in the First Schedule of the CPF Act. Pursuant to Section 7(2) of the CPF Act, notwithstanding the provisions of any written law or any contract to the contrary, an employer is entitled to recover from the monthly wages of an employee the amount shown in the First Schedule of the CPF Act as so recoverable from the employee. Section 7(3) of the CPF Act further provides that where any employer who has recovered any amount from the monthly wages of an employee in accordance with the CPF Act fails to pay the contributions to the CPF within such time as may be prescribed, the employer shall be guilty of an offense and shall be liable on conviction to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding seven (7) years or to both.

REGULATIONS ON PATENTS

The Patents Act 1994 ("**PA**") of Singapore, together with the Patents Rules, governs the registration, enforcement, and other matters relating to patents.

Under the PA, patent infringement arises when, without the consent of the patent proprietor, any of the following acts are carried out in Singapore in relation to the patented invention:

(a) where the invention is a product, a person makes, disposes, or offers to dispose of, uses or imports or keeps it;

(b) where the invention is a process, a person uses or offers the process for use in Singapore when the person knows or it is obvious to a reasonable person that the use would be an infringement of the patent; or

(c) where the invention is a process, a person disposes, offers to dispose of, uses or imports or keeps a product obtained directly by that process.

Patent infringement rights is actionable through civil litigation. The patent proprietor or an exclusive licensee may commence legal action against the infringer in their own name. If found liable, the patent owner or exclusive licensee is entitled to a claim for damages or an account of profits, an injunction, an order to deliver up or destroy an infringing product, and for a declaration that the patent is valid and has been infringed by the defendant. Despite the foregoing, it should be highlighted that the law does not permit the award of both damages and an account of profits for the same act of infringement. As such, the successful party may only claim either damages or an account of profits, but not both.

Under the PA, it is a criminal offense to

(a) make or cause to be made a false entry in the Singapore patent register,

(b) produces a false document claiming to be a copy of an entry in the register,

(c) make unauthorized claims about patent rights or a patent has been applied for, or

(d) misuse the title "Registry of Patents" on a person's place of business, or on any document issued by the person.

Any person convicted of such an offense is liable to a fine, imprisonment, or both.

REGULATIONS ON PERSONAL DATA PROTECTION

The Personal Data Protection Act 2012 of Singapore ("**PDPA**") governs the collection, use and disclosure of personal data by organizations. For the purposes of the PDPA, "personal data" means data, whether true or not, about an individual who can be identified from that data, or from that data and other information to which the organization has or is likely to have access.

An organization is required to comply with, amongst others, the data protection obligations prescribed by the PDPA, which includes as follows:

(a) Accountability obligation – to develop and implement policies and practices that are necessary for the organization to meet the obligations of the organization under the PDPA, develop a process to receive and respond to complaints that may arise with respect to the application of PDPA, communicate to its staff information about the organisation's policies and practices, and make information available on request about such policies and practices and the organisation's complaints process;

(b) Consent obligation – not to collect, use or disclose personal data about an individual unless (i) the individual gives, or is deemed to have given, his or her consent under the PDPA to the collection, use or disclosure, as the case may be; or (ii) such collection, use or disclosure without the consent of the individual is required or authorized under the PDPA or any other written law;

(c) Purpose limitation obligation – to collect, use or disclose personal data about an individual only for purposes (i) that a reasonable person would consider appropriate in the circumstances; and (ii) that the individual has been informed of, if applicable;

(d) Notification obligation – to inform an individual of the purposes for the collection, use or disclosure of his or her personal data, on or before collecting such personal data, except if the individual is deemed to have consented to the collection, use or disclosure in accordance with the provisions of the PDPA or the organization collects, uses or discloses the personal data without the consent of the individual in accordance with the provisions of the PDPA;

(e) Access and correction obligation – on request of an individual, to, as soon as reasonably possible, (i) provide the individual with personal data about the individual that is in the possession or under the control of the organization, and information about the ways in which such personal data has been or may have been used or disclosed by the organization within a year before the date of the request, unless certain specified exceptions apply and/or (ii) correct an error or omission in the personal data about the individual that is in the possession or under the control of the organization, unless certain specified exceptions apply;

(f) Accuracy obligation – to make a reasonable effort to ensure that personal data collected by or on behalf of the organization is accurate and complete, if the personal data is likely to be used by the organization to make a decision that affects the individual to whom the personal data relates or is likely to be disclosed by the organization to another organization;

(g) Protection obligation – to protect personal data in the possession or under the control of the organization by making reasonable security arrangements to prevent unauthorized access, collection, use, disclosure, copying, modification, disposal or similar risks, and the loss of any storage medium or device on which personal data is stored;

(h) Retention limitation obligation – to cease to retain documents containing personal data, or remove the means by which the personal data can be associated with particular individuals, as soon as it is reasonable to assume that the purpose for which that personal data was collected is no longer being served by retention of the personal data and retention is no longer necessary for legal or business purposes;

(i) Transfer limitation obligation – not to transfer any personal data to a country or territory outside Singapore except in accordance with the requirements prescribed under the PDPA; and

(j) Data breach notification obligation – to assess if a data breach will result in, or is likely to result in, significant harm to an affected individual, or is, or is likely to be, of a significant scale. If so, to notify the Personal Data Protection Commission as soon as is practicable, but in any case no later than three (3) calendar days after making such an assessment. Each affected individual must also be notified in any manner that is reasonable in the circumstances.

The maximum financial penalty that can be imposed on organizations is S$1,000,000, or 10% of the organisation's annual turnover in Singapore, whichever is higher. The severity of the penalties will be assessed based on, amongst others, the amount of personal data involved, and the degree of harm caused to individuals.

LAWS AND REGULATIONS RELATING TO IMPORTS AND EXPORTS ACT

The Regulation of Imports and Exports Act 1995 of Singapore ("**RIEA**") together with its subsidiary legislation regulate all import and export activities. The RIEA is administered by the Director-General of Customs, an appointment made under the Customs Act 1960 of Singapore.

Under the Regulation of Imports and Exports Regulations of Singapore ("**RIER**") issued pursuant to the RIEA, and unless otherwise specified, the import, export, or transhipment of any goods in Singapore may only be carried out with a permit granted by the Director-General of Customs.

Applications for permits to import, export, or tranship goods must be filed with the Director- General of Customs by:

(a) the relevant importer, exporter, shipping agent, air cargo agent, freight forwarder or common carrier; or

(b) a registered declarant with Singapore Customs.

Unless stated otherwise, any person who commits an offense under the RIER is subject to the following penalties:

(a) for a first conviction, a fine of up to S$100,000 or three (3) times the value of the goods involved (whichever is higher), imprisonment of up to two (2) years, or both; and

(b) for a second or subsequent conviction, a fine of up to S$200,000 or four (4) times the value of the goods (whichever is higher), imprisonment of up to three (3) years, or both.

REGULATIONS ON PRODUCT LIABILITY

In Singapore, the issue of product liability is generally governed by the law of negligence in the case of manufacturers, and by contract law in the case of sellers/suppliers.

To establish negligence, a claimant must prove that the manufacturer owed a duty of care, breached that duty, and that the breach caused loss or damage to the claimant. What amounts to negligence depends on the facts of each case. Where there is a duty to exercise care, reasonable care must be taken to avoid acts or omissions that can be reasonably foreseen as likely to cause physical injury to the persons or property. Liability for death or personal injury resulting from negligence cannot be excluded. Other liability for negligence may be excluded if such restriction is reasonable.

A contractual claim for damages requires privity of contract between the claimant and the seller/supplier of the goods, and that the seller/supplier breached an express or implied term of the contract (e.g., by supplying defective goods). Liability is strict where the contract has been breached, and will depend on the terms agreed between the parties or implied into the contract.

The content of such contractual obligations may be influenced by statute. Standard conditions are implied into all contracts for the sale of goods under the Sale of Goods Act 1979 and the Supply of Goods Act 1982. Products sold in the course of business must be of satisfactory quality and comply with the description applied to them or a sample supplied.

The Consumer Protection (Trade Descriptions and Safety Requirements) Act 1975 of Singapore ("**CPTSA**") prohibits the application of a false trade description to any goods and supply of goods which have a false trade description. A false trade description under the CPTSA includes a trade description which is false or likely to mislead in a material respect, whether from anything contained in or omitted from the description. Under the CPTSA, the Minister for Trade and Industry may by regulations impose requirements for ensuring that, amongst others: (a) certain goods are marked with or accompanied by any information or instruction relating to the goods; (b) any description of advertisements of certain goods should contain or refer to any information relating to the goods, or of an indication of the means by which that information may be obtained; and (c) certain goods are subject to safety requirements relating to composition or contents, design, construction, finish or packing and marked with or accompanied by any information, warning or instruction.

REGULATIONS ON GENERAL CORPORATE GOVERNANCE

The Companies Act 1967 of Singapore generally governs, among others, matters relating to the status, powers and capacity of a company, shares and share capital of a company (including allotments and issuances and transfers of ordinary shares and preference shares), treasury shares, share splits, share buybacks, redemption of shares, conversion of shares, reduction of share capital, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders and dealings between such persons and the company), protection of minority shareholders' rights, accounts and audit requirements, arrangements, reconstructions and amalgamations, winding up and dissolution.

In addition, members of a company are subject to, and bound by, the provisions of the constitution of the company. The constitution of a company contains, among others, provisions relating to some of the matters in the foregoing paragraph as well as the rights and privileges attached to the different classes of shares of the company (if applicable).

REGULATIONS ON TAXATION

The discussion in this section is not intended to be and does not constitute legal or tax advice. It is based on the current tax laws and practice in Singapore and is subject to changes in such laws, or in the interpretation thereof. Such changes may be retrospective. No assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws and practice will not occur on a retrospective basis.

Regulations on Corporate Tax

Corporate taxpayers (whether Singapore tax resident or non-Singapore tax resident) are generally subject to Singapore income tax on income accruing in or derived from Singapore or received in Singapore from outside Singapore (unless specified conditions for exemption are satisfied). Foreign income in the form of foreign-sourced dividends, foreign branch profits, and foreign-sourced service income by a Singapore tax resident corporate taxpayer may however be exempt from Singapore tax if specified conditions are satisfied.

Section 43(1) of the Income Tax Act 1947 of Singapore ("**ITA**") provides, among others, that the prevailing corporate income tax rate is 17%. Section 43(6B) of the ITA provides, among others, that there is partial tax exemption for chargeable income of up to S$200,000 as follows:

(a) for every dollar of the first $10,000 of the chargeable income, only 25% is chargeable with tax; and

(b) for every dollar of the next $190,000 of the chargeable income, only 50% is chargeable with tax.

The chargeable income of a company in excess of the first S$200,000 (after the partial tax exemption) will be fully taxable at the prevailing corporate income tax rate of 17%.

Regulations on Dividend Distributions and Withholding Tax

All Singapore tax resident companies are under the one-tier corporate taxation system of Singapore ("**One-Tier System**"). Under the One-Tier System, the tax collected from corporate profits is a final tax and the after-tax profits of a company resident in Singapore can be distributed to its shareholders as tax-exempt dividends. Such dividends are tax-exempt in the hands of the shareholders, irrespective of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Singapore currently does not impose withholding tax on dividends paid to resident or non-resident shareholders.

Regulations on Goods and Services Tax

The Goods and Services Tax Act 1993 of Singapore governs goods and services tax ("**GST**"), which is a consumption tax that is levied on the import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 9%.

Regulations on Stamp Duty

There is no stamp duty payable on the subscription and issuance of shares.

Stamp duty is payable on a transfer of shares if there is an instrument of transfer executed in Singapore or if there is an instrument of transfer executed outside Singapore which is received in Singapore. In such situations, stamp duty is payable on the instrument of transfer of shares at the rate of 0.2% of the consideration for, or net asset value of, the shares, whichever is higher.

APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN THAILAND

Through our Thai subsidiaries, MFLEX Thailand, we operate in Thailand as a manufacturer of printed circuit board.

REGULATIONS ON FOREIGN BUSINESS

The Foreign Business Operations Act B.E. 2542 (1999) ("**FBOA**") is the key piece of legislation that restricts foreign entities or companies in which foreigners hold 50% or more of the registered capital from engaging in certain businesses that are reserved for Thai nationals unless a foreign business license or foreign business certificate is obtained from the Department of Business Development, Ministry of Commerce.

The restricted activities are listed in three schedules annexed to the FBOA. These cover, among others, businesses relating to national security, natural resources, and services that Thai authorities deem appropriate to reserve for Thai nationals. However, manufacturing activities and export activities are not restricted under the FBOA. A foreign majority-owned company may engage in manufacturing and the sale (including export) of products it manufactures without the need for a foreign business license or foreign business certificate.

Violations of the FBOA may result in penalties including imprisonment and fines.

REGULATIONS ON INVESTMENT

Investment promotion in Thailand is governed by the Investment Promotion Act B.E. 2520 (1977), which empowers the Board of Investment of Thailand ("**BOI**") to grant both tax and non-tax incentives to qualifying investment projects in designated industries or locations.

BOI-promoted companies are entitled to a range of incentives, including exemption from corporate income tax for a period of up to eight years, reduction of import duties on machinery and raw materials, permission for foreign ownership of land used in the promoted project, and relaxed requirements on the employment of foreign skilled workers and experts.

BOI-promoted companies are required to comply with the conditions stated in their promotion certificates, including restrictions on the use of machinery, the scope of business, environmental standards, and reporting obligations to the BOI. Failure to comply may result in partial or full revocation of promotional benefits.

REGULATIONS ON MANUFACTURING

The activities relating to manufacturing in Thailand are primarily regulated under the Factory Act B.E. 2535 (1992), which governs the establishment, operation, and supervision of factories. Depending on the type and size of the factory or the total horsepower of machinery used, an operator may be required to obtain a factory licenses (Ror. Ngor. 4) from the Department of Industrial Works or the relevant industrial estate authority.

Operating a factory without the requisite licenses, or in violation of the conditions specified in the factory licenses, may result in penalties including imprisonment and fines.

As the Thai Subsidiary is located within an industrial estate, its factory operation falls under the supervision of the Industrial Estate Authority of Thailand ("**IEAT**"), and the requisite licenses are issued by the IEAT rather than by the Department of Industrial Works.

INDUSTRIAL ESTATE AUTHORITY OF THAILAND REGULATIONS

Industrial estates in Thailand are governed by the Industrial Estate Authority of Thailand Act B.E. 2522 (1979), administered by the IEAT under the Ministry of Industry. The IEAT is responsible for the establishment, supervision, and regulation of industrial estates, which are designated zones for industrial operations with integrated infrastructure and environmental management.

Factories established within IEAT estates benefit from streamlined administrative processes, such as one-stop service for licenses, construction permits, and customs clearance. The IEAT may grant special privileges for foreign investors, including the right to own land within the industrial estate.

Companies operating in an IEAT estate must comply with the regulations such as land use, environmental protection, waste management, safety, and utility usage. The IEAT also monitors compliance with industrial standards and may impose administrative penalties or order suspension of operations in case of material non-compliance.

REGULATIONS ON LABOR AND EMPLOYMENT

Employment relationships in Thailand are governed primarily by the Labor Protection Act B.E. 2541 (1998) ("**LPA**"). The LPA prescribes minimum employment standards, including working hours, rest periods, holidays, leave entitlements, overtime and termination procedures. Any employment contract that provides less favourable conditions than the statutory minimum will be void to the extent of such inconsistency.

Employers with ten or more employees are required to establish written work rules, maintain an employee register, and submit annual declarations of working conditions (Form Kor Ror 11) to the Department of Labor Protection and Welfare. Employers must also contribute to the Social Security Fund under the Social Security Act B.E. 2533 (1990) and the Workmen's Compensation Fund under the Workmen's Compensation Fund Act B.E. 2537 (1994).

Foreign nationals may be employed in Thailand subject to the Emergency Decree on Managing the Work of Foreigners B.E. 2560 (2017), which requires a valid work permit or other authorization.

In addition, employers must ensure compliance with occupational health and safety standards under the Occupational Safety, Health and Environment Act B.E. 2554 (2011). Non-compliance with Thai labor laws may result in administrative fines and criminal penalties.

REGULATIONS ON EXPORT

Under Thai law, the exportation of certain categories of goods is subject to control or restriction, and a specific permit or license may be required. The relevant legislation includes the Export and Import of Goods Act B.E. 2522 (1979) and ministerial notifications issued thereunder.

In addition, exporters must also take into account the laws and regulations of the jurisdictions of destination, including any import restrictions or product standards applicable in those jurisdictions.

Exporters are responsible for obtaining the necessary licenses and ensuring compliance with customs, tariff and documentation requirements. Failure to comply with applicable export control laws may result in penalties such as fines, confiscation of goods or revocation of export privileges.

REGULATIONS ON TAX MATTERS

The Revenue Code of Thailand is the principal legislation governing taxation in Thailand. Companies incorporated in Thailand are generally subject to corporate income tax at a rate of 20% on their net profits. The sale of goods and the provision of services in Thailand are subject to value-added tax (VAT), currently at the rate of 7%, except for certain exempt goods and activities. Other taxes include withholding tax, specific business tax for certain activities, and stamp duty on specified instruments.

Dividends paid by a Thai company to non-Thai resident shareholders are generally subject to withholding tax at the rate of 10%, unless reduced or exempted under an applicable double taxation treaty.

BOI-promoted companies may be entitled to exemptions from corporate income tax and import duties as specified in their promotion certificates. Companies operating within IEAT estates may also enjoy additional facilitation measures on duties payment in connection with import and export operations.

Stamp duty is payable on certain instruments executed in Thailand or brought into Thailand. For a transfer of shares, the share transfer instruments are subject to stamp duty at the rate of THB 1 for every THB 1,000 (or fraction thereof) of the greater of the paid-up value, or consideration of the shares as specified in the share transfer instruments.

OVERVIEW

The history of the Company could be traced back to 1998, when it was founded by Mr. Yuan Fugen (袁富根) and six other individuals in Suzhou as a provider of precision component services for metal structural parts. In April 2010, the A Shares of the Company were listed on the main board of the Shenzhen Stock Exchange under the stock code 002384.SZ.

Over the years, the Group has evolved into a global leader in intelligent manufacturing. With a strategic focus on intelligent manufacturing, we are committed to providing advanced products and solutions to top technology companies in the field of intelligent connection.

MILESTONES

The following sets out the summary of the Company's key business development milestones:

Year	Milestone
1998	The Company was established and headquartered in Suzhou.
2007	The Company was renamed as "Suzhou Dongshan Precision Manufacturing Co., Ltd."
2010	The A Shares of the Company were listed on the main board of the Shenzhen Stock Exchange (stock code: 002384.SZ).
2014	The Company initiated its LCM business and completed the acquisition of Mutto Optronics, marking its entry into the touch panel market.
2016	The Company completed the acquisition of MFLEX, a global leader in FPCs based in the United States.
2017	The Company established the Yancheng Industrial Base as its production centre.
2018	The Company has improved its PCB market footprint, acquired the capability to manufacture high-end PCBs, cementing its position in the interconnectivity solutions sector through the acquisition of Multek, a leading PCB manufacturer.
2019	The Company established its overseas headquarter in Singapore.
2022	The Company established our first overseas manufacturing facility in Mexico.
2023	The Company bolstered its industrial presence in Southeast Asia through the commencement of construction for its Thailand factory and successfully completed the acquisition of Suzhou Display.
2025	The Company entered into the optical transceiver business through the acquisition of Source Photonics and successfully completed the acquisition of GMD, further expanding our business footprint in Europe.

MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we conducted our business operations through 133 subsidiaries. The following sets out the principal business activities, place of establishment and date of establishment of the Company's subsidiaries that made a material contribution to the Group's results of operations during the Track Record Period.

Name of subsidiary	Place of establishment	Date of establishment	Equity interest attributable to the Company	Principal business activities
Multek China	PRC	July 19, 1995	100%	Production of PCBs
Suzhou Display	PRC	February 17, 1996	100%	Production of liquid crystal displays
MFLEX Suzhou	PRC	June 20, 2002	100%	Production of FPCs
MFLEX Singapore	Singapore	September 3, 2007	100%	Overseas marketing and sales
Mutto Optronics	PRC	June 6, 2008	100%	Research and development of touch panel technologies and production of related components
MFLEX Yancheng	PRC	June 19, 2017	100%	Production of FPCs
Yancheng Dongshan	PRC	June 19, 2017	100%	Production of LED packaging and testing
Multek Group	Hong Kong	April 25, 2018	100%	Investment holding
DSBJ Singapore	Singapore	March 8, 2019	100%	Overseas operation
Yancheng Dongchuang	PRC	November 2, 2020	100%	Production of automotive precision components
Suzhou Dongyue	PRC	September 6, 2022	100%	Research and production of automotive precision components
MFLEX Thailand	Thailand	June 30, 2023	100%	Overseas production of PCBs
Multek Industries Limited	PRC	April 4, 2000	100%	Manufacture of PCBs
Source Photonics Chengdu	PRC	March 12, 2001	97.48%	R&D, production, and sales of optical transceivers
Source Photonics Macau	Macau	May 29, 2006	97.48%	Overseas sales of optical transceivers

MAJOR SHAREHOLDING CHANGES OF THE COMPANY

Early Development and Conversion into a Joint Stock Company

On October 28, 1998, the Company was established under the laws of the PRC as a limited liability company with an initial registered capital of RMB500,000 and was held as to 60% by Mr. Yuan Fugen, 7% by Mr. Bao Wenjie, 7% by Mr. Xie Juan, 7% by Ms. Lv Ying, 7% by Ms. Zhang Xiuying, 7% by Mr. Chen Yiping, and 5% by Mr. Zhou Jian. Between 1998 and 2007, the Company underwent several rounds of capital increases and equity transfers, upon completion of which its registered capital increased to RMB33,060,000.

On December 24, 2007, the Company was converted into a joint stock company. Upon completion of the conversion, the Company had a total share capital of RMB120,000,000 divided into 120,000,000 Shares, which were held as to 36.31% by Mr. Yuan Yonggang, 36.31% by Mr. Yuan Yongfeng, 12.71% by Mr. Yuan Fugen, 6.75% by Suzhou National Development Creation Capital Investment Co., Ltd. (蘇州國發創新資本投資有限公司), 5.42% by 13 other then individual Shareholders of the Company and 2.50% by Shanghai Hengrui Innovation Investment Co., Ltd. (上海恒鋭創業投資有限公司).

Listing on the main board of the Shenzhen Stock Exchange

In April 2010, the A Shares of the Company were listed on the main board of the Shenzhen Stock Exchange (stock code: 002384.SZ) (the "**A-Share Listing**"). The Company offered a total of 40,000,000 A Shares under the A-Share Listing, representing 25% of the Company's enlarged share capital immediately following the completion of the A-Share Listing. Immediately upon the completion of the A-Share Listing, the share capital of the Company increased to RMB160,000,000.

Private Placement of A Shares in 2015

In April 2015, the Company conducted a private placement of its A Shares (the "**2015 A Share Placement**") to raise funds for the LED devices production project, the LCM module production project and the precision metal components production project. Pursuant to the 2015 A Share Placement, a total of 79,390,270 A Shares were issued to six investors which are Independent Third Parties at an issue price of RMB14.80 per share, which was determined based on various factors, including, among other things, the average trading price of our A Shares of the 20 trading days prior to the pricing date and the indicative investment interest of potential investors. The 2015 A Share Placement raised net proceeds of approximately RMB1,153.8 million, which have been fully utilized as of the Latest Practicable Date. Following the completion of the 2015 A Share Placement, the Company's total issued share capital increased to RMB847,390,270.

Private Placement of A Shares in 2017

In May 2017, the Company conducted a private placement of its A Shares (the "**2017 A Share Placement**") to raise funds for the acquisition of 100% of the equity interest in Multi-Fineline Electronix, Inc. and to supplement the working capital of the Company. Pursuant to the 2017 A Share Placement, a total of 223,658,048 A Shares were issued to seven institutional investors, which are Independent Third Parties, at an issue price of RMB20.12 per share, which was determined based on various factors, including, among other things, the average trading price of our A Shares of the 20 trading days prior to the pricing date and the indicative investment interest of potential investors. The 2017 A Share Placement raised net proceeds of approximately RMB4,439.3 million, which have been fully utilized as of the Latest Practicable Date. Following the completion of the 2017 A Share Placement, the Company's total issued share capital increased to RMB1,071,048,318.

Private Placement of A Shares in 2020

In August 2020, the Company conducted a private placement of its A Shares (the "**2020 A Share Placement**") to raise funds primarily for the expansion project of fine-line PCB and the technical transformation project of Multek's PCB production. Pursuant to the 2020 A Share Placement, a total of 103,294,850 A Shares were issued to twenty investors, who are Independent Third Parties, at an issue price of RMB28.00 per share, which was determined based on various factors, including, among other things, the average trading price of our A Shares of the 20 trading days prior to the pricing date and the indicative investment interest of potential investors. The 2020 A Share Placement raised net proceeds of approximately RMB2,864.0 million, which have been fully utilized as of the Latest Practicable Date. Following the completion of the 2020 A Share Placement, the Company's total issued share capital increased to RMB1,709,867,327.

Cancellation of A Shares in 2024

In August 2024, our registered capital decreased to RMB1,705,913,710 from RMB1,709,867,327 upon completion of repurchase and cancelation of 3,953,617 A Shares relating to the ungranted shares under the employee incentive scheme.

Private Placement of A Shares in 2025

In June 2025, the Company conducted a private placement of its A Shares (the "**2025 A Share Placement**") to supplement the working capital of the Company for business development and to consolidate the control of the Largest Group of Shareholders over the Company. Pursuant to the 2025 A Share Placement, a total of 125,693,822 new A Shares were issued to Mr. Yuan Yonggang and Mr. Yuan Yongfeng, members of the Largest Group of Shareholders at an issue price of RMB11.17 per Share, which was determined based on various factors, including, among other things, the average trading price of our A Shares of the 20 trading days prior to the pricing date and the indicative investment interest of potential investors. The 2025 A Share Placement raised net proceeds of approximately RMB1,391.5 million, which have been fully utilized as of the Latest Practicable Date. Following the completion of the 2025 A Share Placement, the Company's total issued share capital increased to RMB1,831,607,532.

ACQUISITIONS

Suzhou Display

On October 28, 2022, the Company and Japan Display Inc. ("**JDI**") entered into a share purchase agreement, pursuant to which, the Company agreed to purchase 100% equity interests in Suzhou Display held by JDI at the consideration of RMB1,383 million (the "**Suzhou Display Acquisition**"). Suzhou Display engaged in development, design and production of LCDs and other electronic application machinery products and related components, including display panels for automotive applications and consumer devices. Suzhou Display had a production base in the PRC with over 900 employees, bringing decades of expertise from its lineage with JDI, enabling advanced LCD module assembly and supply of high-precision components for display systems. The Suzhou Display Acquisition was expected to expand the Company's business layout into automotive display business sector, and enhance overall efficiency and competitiveness. By integrating the acquired display capabilities, the Company can better leverage industry chain synergies, combining its PCB/FPC, touch panel technologies and display technologies. This creates the ability to offer one-stop product solutions for automotive customers, improving customer value and competitive differentiation. The consideration of the Suzhou Display Acquisition was determined based on arm's length negotiation among the Company, JDI, and Suzhou Display, taking into account the latest audited financial result of Suzhou Display and with reference to valuation of other comparable companies. The Suzhou Display Acquisition was completed in January 2023. Both of JDI and Suzhou Display were Independent Third Parties.

GMD

On May 12, 2025, DSBJ Singapore entered into a share purchase agreement with GMD and all of its existing shareholders, pursuant to which, DSBJ Singapore agreed to purchase 100% equity interests in GMD at the purchase price of EUR3 and restructure the financial debts of GMD at the total settlement amount of EUR100 million (the "**GMD Acquisition**"). Established in 1986, GMD was a leading French automotive components supplier, operating both in France and internationally, focusing on production of components for passenger and commercial vehicles. It had approximately 6,500 employees worldwide, with operations through over 30 production bases across 12 countries spanning Europe, Asia, and Africa. The GMD Acquisition was expected to expand our presence in the automotive components sector, enhance our global footprint, and improve overall efficiency and competitiveness. GMD was recognized as one of France's largest automotive component suppliers, serving major OEMs and automotive manufacturers in Europe. Its large footprint and established relationships gave the Company immediate access to high-value European and global automotive customers. The purchase price of the equity interests in GMD and the settlement amount with the creditors for the GMD Acquisition were determined based on arm's length negotiation, taking into account the latest audited financial result of GMD and with reference to valuation of other comparable companies. The GMD Acquisition was completed in October 2025. To the best knowledge of the Directors, GMD, its then existing shareholders and their respective beneficial owners were Independent Third Parties.

Source Photonics

In June 2025, the Company, together with Multek Hong Kong Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Source Photonics and its existing shareholders (together with Source Photonics, "**Source Photonics Parties**"), pursuant to which the Company agreed to acquire 97.48% shareholding in Source Photonics from its existing shareholders, for a consideration in an amount of not exceeding approximately USD629 million, out of which approximately US$590 million have been paid as of the Latest Practicable Date. The Company intends to acquire the remaining 2.52% shareholding in Source Photonics from V-Capital International Holding Co., Limited (一村國際控股有限公司), an Independent Third Party. As of the Latest Practicable Date, the Company had not entered into any definitive agreement with respect to the acquisition of the remaining 2.52% shareholding in Source Photonics. The financial statements of Source Photonics have been consolidated in the consolidated financial statements of the Group since October 2025 in accordance with IFRS.

Separate from the consideration paid for the acquisition, to provide funding support for Source Photonics, the Group subscribed for a series of convertible bonds issued by Source Photonics and its subsidiaries following the acquisition from June 2025 to December 2025 in an aggregate amount of approximately RMB700 million.

Source Photonics is a limited liability company incorporated in the Cayman Island on November 17, 2010 and is primarily engaged in the design, research and development, production and sales of optical transceivers. With the rapid development of 5G communications, data centers and other industries, the demand for optical transceivers continues to grow. Source Photonics has profound technological experience, advanced R&D capabilities and an established industrial chain layout in the field of optical transceivers. Through the acquisition of Source Photonics, the Directors believe we can quickly expand into the optical transceiver market by leveraging Source Photonics' technology and as a global provider of advanced technology solutions. Source Photonics possessed extensive global client resources, already serving telecom carriers, data center operators and equipment manufacturers customer base. Combined with Source Photonics' technologies and products which serve a wide range of data center and telecommunications applications, we believe a unique advantage that combines AI PCB with optical transceiver would be created and significant synergies are anticipated in terms of customer resource sharing, technology research and development collaboration, manufacturing optimization and supply chain integration.

To the best knowledge of the Directors, Source Photonics Parties and their respective beneficial owners were Independent Third Parties. The Company has made filings with respect to the acquisition and will continue to proceed with the procedures with competent authorities.

LISTING ON THE MAIN BOARD OF THE SHENZHEN STOCK EXCHANGE AND REASONS FOR THE H SHARE LISTING

Since April 2010, the A Shares of the Company have been listed on the main board of the Shenzhen Stock Exchange. The Directors confirm that, since the A-Share Listing and up to the Latest Practicable Date, there had been no instances of non-compliance of the Company with the applicable rules of the Shenzhen Stock Exchange and other applicable PRC securities laws and regulations in any material respects. To the best knowledge of the Directors, there are no material matters in relation to the compliance record of the Company on the Shenzhen Stock Exchange that should be brought to the attention of the Stock Exchange or potential investors of the **[REDACTED]**. The PRC Legal Advisor advised us that, since the A-Share Listing and up to the Latest Practicable Date, we had complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Joint Sponsors and the PRC Legal Advisor's view above, no material matter has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

The Company seeks to list its H Shares on the Stock Exchange to raise additional capital for expanding portfolios, capacity expansion, strategic transactions, technology R&D, intelligent manufacturing and strengthening talent pipeline. See "Business — Our Growth Strategies" and "Future Plans and Use of **[REDACTED]** " for more details.

PUBLIC FLOAT AND FREE FLOAT

Pursuant to Rules 8.08(1) and 19A.13A of the Listing Rules, as the Company has Shares apart from the H Shares for which the **[REDACTED]** is sought, the H Shares for which the **[REDACTED]** is sought that are held by the public, at the time of the **[REDACTED]**, must (a) represent at least 10% of the Company's total number of issued Shares (excluding treasury shares); or (b) have an expected market value of not less than HK$3 billion.

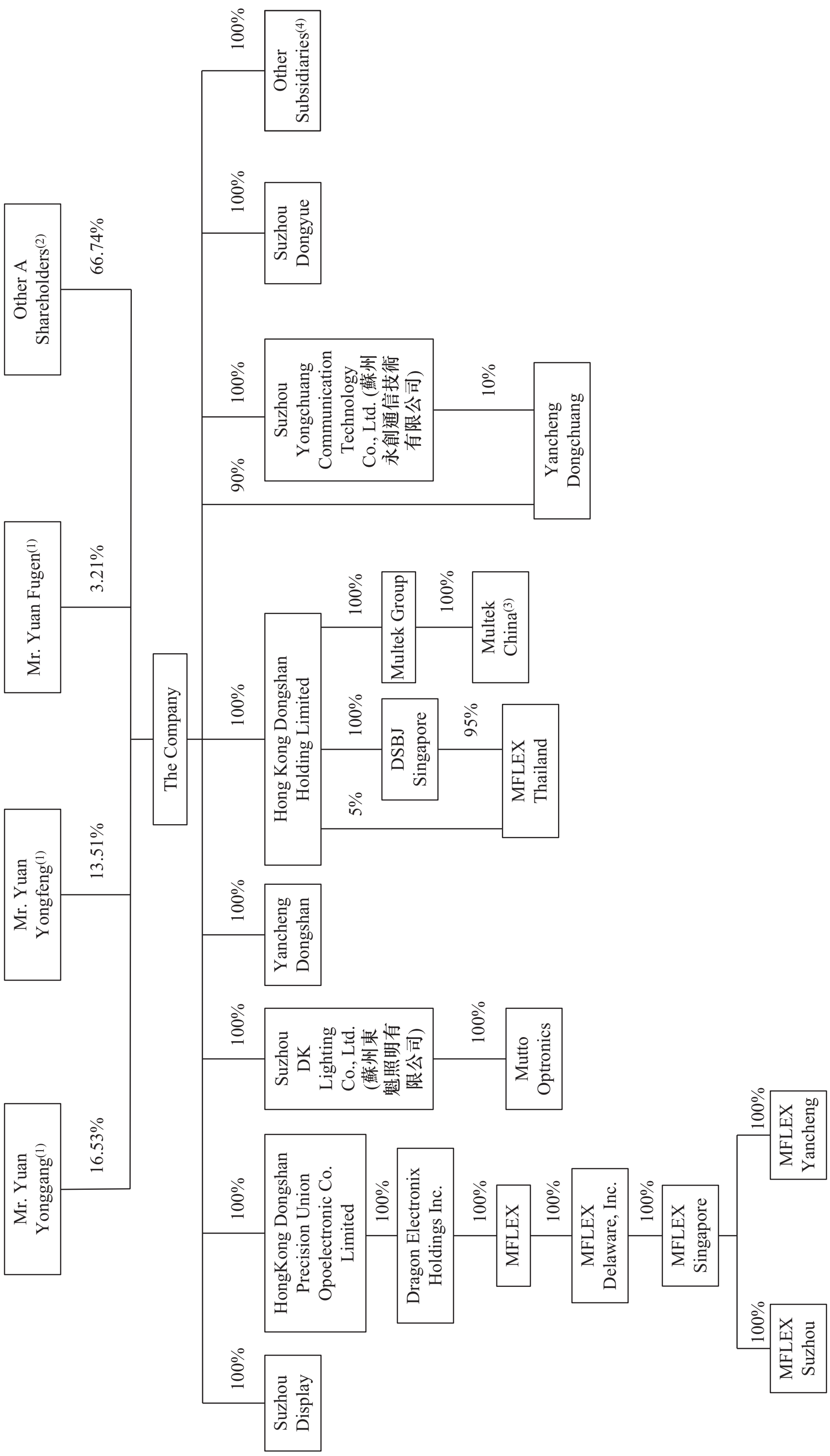
The total number of the H Shares to be issued pursuant to the **[REDACTED]** represents approximately **[REDACTED]** % of the total issued share capital of the Company (assuming the **[REDACTED]** **[REDACTED]** is not exercised and excluding treasury shares). It is expected that upon **[REDACTED]** (assuming the **[REDACTED]** is not exercised), based on an **[REDACTED]** (i) of HK$**[REDACTED]** per H Share, being the low end of the indicative **[REDACTED]** range, the market value of the H Shares for which the **[REDACTED]** is sought that are held by the public is HK$**[REDACTED]** million; (ii) HK$**[REDACTED]** per H Share, being the mid-point of the indicative **[REDACTED]** range, the market value of the H Shares for which the **[REDACTED]** is sought that are held by the public is HK$**[REDACTED]** million; and (iii) HK$**[REDACTED]** per H Share, being the high-end of the indicative **[REDACTED]** range, the market value of the H Shares for which the **[REDACTED]** is sought that are held by the public is HK$**[REDACTED]** million, thereby satisfying Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules.

Based on an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the low end of the indicative **[REDACTED]**, the Company will satisfy the free float requirement under Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules.

CORPORATE STRUCTURE

Corporate Structure Immediately Before the [REDACTED]

The following chart sets forth the shareholding and corporate structure of the Group immediately before the **[REDACTED]**:


Mr. Yuan Yonggang(1)
16.53%
Mr. Yuan Yongfeng(1)
13.51%
Mr. Yuan Fugen(1)
3.21%
Other A Shareholders(2)
66.74%
The Company
100%
Suzhou Display
100%
HongKong Dongshan Precision Union Opoelectronic Co. Limited
100%
Dragon Electronix Holdings Inc.
100%
MFLEX
100%
MFLEX Delaware, Inc.
100%
MFLEX Singapore
100%
MFLEX Suzhou
100%
MFLEX Yancheng
100%
Suzhou DK Lighting Co., Ltd. (蘇州東魁照明有限公司)
100%
Mutto Optronics
100%
Yancheng Dongshan
100%
Hong Kong Dongshan Holding Limited
5%
100%
DSBJ Singapore
95%
MFLEX Thailand
100%
Multek Group
100%
Multek China(3)
90%
100%
Suzhou Yongchuang Communication Technology Co., Ltd. (蘇州永創通信技術有限公司)
10%
Yancheng Dongchuang
100%
Suzhou Dongyue
100%
Other Subsidiaries(4)

Notes:

(1) Mr. Yuan Fugen, Mr. Yuan Yonggang and Mr. Yuan Yongfeng are the Largest Group of Shareholders. See "Relationship with Our Largest Group of Shareholders". As of the Latest Practicable Date, Mr. Yuan Yonggang directly held 302,781,254 A Shares, of which 104,828,000 A Shares were pledged, and Mr. Yuan Yongfeng directly held 247,526,917 A Shares, of which 56,883,800 A Shares were pledged.

(2) As of the Latest Practicable Date, 5,791,000 A Shares were held by the Company as treasury shares, which did not carry any Shareholders' rights, including but not limited to voting rights at the Shareholders' meeting and dividend rights.

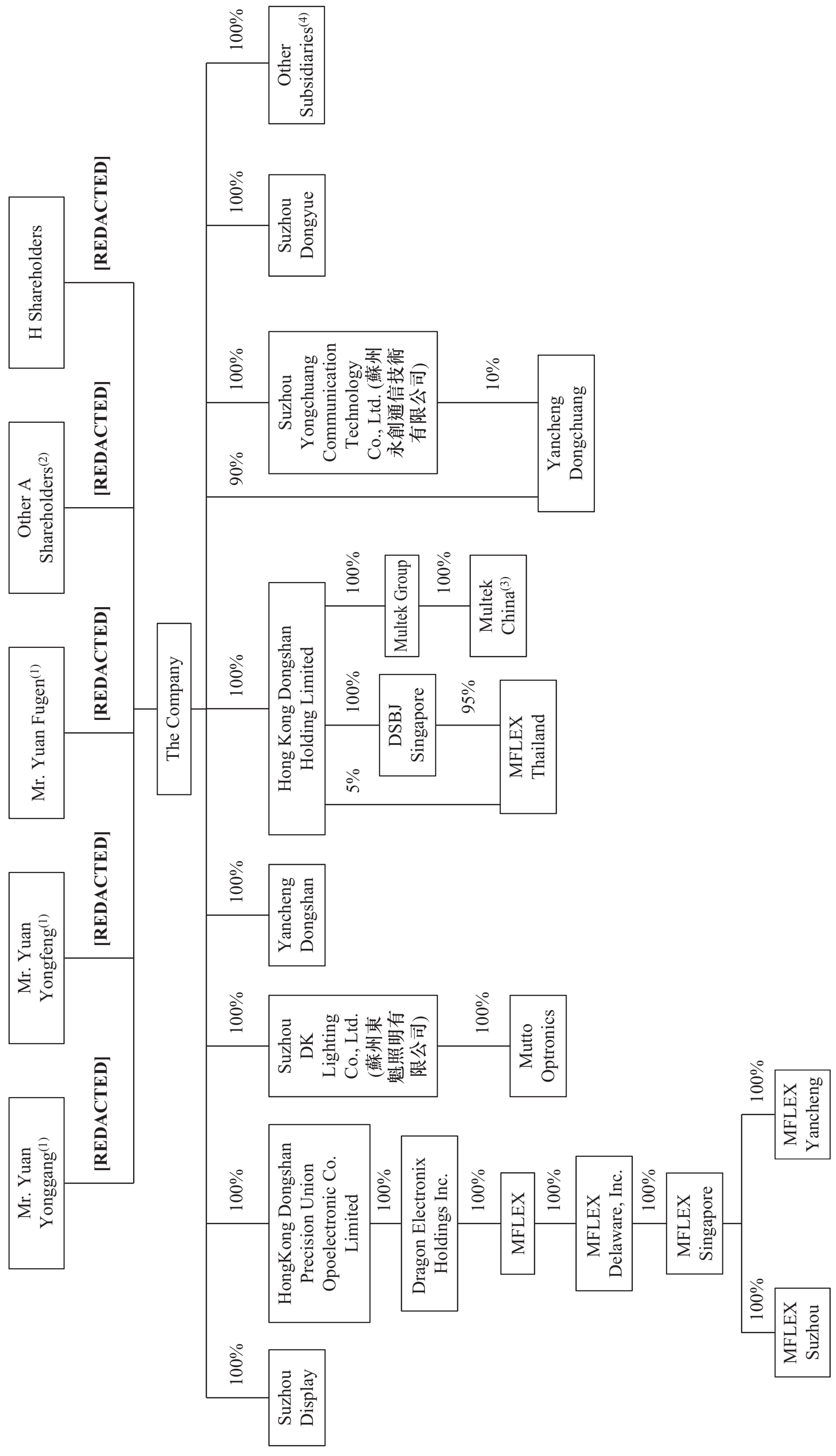
(3) Multek China is indirectly wholly owned by Multek Group.

(4) As of the Latest Practicable Date, other subsidiaries include (i) 92 wholly-owned subsidiaries established in various jurisdictions, (ii) Suzhou Jebson Intelligent Technology Co., Ltd. (蘇州捷佈森智能科技有限公司), which was owned as to 51% by our Company and 49% by Zhu Wenbing (朱文兵), an Independent Third Party, respectively, (iii) Suzhou Dongdai Electronic Technology Co., Ltd. (蘇州東岱電子科技有限公司), which was owned as to 51% by our Company, 30.33% by Qian Baolong (錢寶龍), an Independent Third Party and 18.67% by Chen Limin (陳利民), an Independent Third Party, respectively, (iv) Suzhou Rf Top Electronic Communication Co., Ltd. (蘇州艾福電子通訊股份有限公司), which was owned as to 93.51% by our Company, 6.04% by Mr. Kang Namgu, an Independent Third Party and 0.45% by Suzhou Aiyishide Investment Management Center (Limited Partnership) (蘇州艾伊施德投資管理中心（有限合夥）), an Independent Third Party, respectively, (v) Source Photonics, which was owned as to 97.48% by our Company and 2.52% by V-Capital International Holding Co., Limited (一村國際控股有限公司), an Independent Third Party, respectively. Source Photonics has been consolidated in the consolidated financial statements of the Group since October 2025 in accordance with IFRS. The Company intends to acquire all shares held by V-Capital International Holding Co., Limited in Source Photonics. In addition, Jiangsu Source Communication Technology Co., Ltd. (江蘇索爾思通信科技有限公司, "**Source Jiangsu**") is held as to 90.00% indirectly by Source Photonics and 10.00% by Zhuhai Hengqin Anshi Information Consulting Partnership (Limited Partnership) (珠海橫琴安實信息咨詢合伙企業(有限合夥)), an Independent Third Party; Chengdu Antong Semiconductor Co., Ltd. (成都安瞳半導體有限公司) is held as to approximately 50.06% by Source Jiangsu, 26.95% by Zhuhai Hengqin Ancong Information Consulting Partnership (Limited Partnership) (珠海橫琴安聰信息咨詢合伙企業(有限合夥)), an Independent Third Party, 13.20% by Kunshan Qi Village Investment Center (L.P) (昆山啓村投資中心(有限合夥)), an Independent Third Party, 6.60% by Fengtu Tongyue (Sanya) Equity Investment Fund Partnership (L.P) (灃途同悅(三亞)股權投資基金合夥企業(有限合夥)), an Independent Third Party, 2.42% by Jiaxing Gencheng Equity Investment Partnership (Limited Partnership) (嘉興根誠股權投資合夥企業(有限合夥)), an Independent Third Party and 0.77% by Beijing Yingjiu Tongyue Enterprise Management Consulting Center (Limited Partnership) (北京盈久同悅企業管理咨詢中心(有限合夥)), an Independent Third Party, respetively, and 15 other subsidiaries of the Company are wholly-owned by Source Photonics, and (vi) Shenzhen Qin Tao Dongchuang Investment Partnership (Limited Partnership) (深圳市勤道東創投資合夥企業（有限合夥）), which was owned as to 76.92% by our Company, 20.77% by Pingxiang Qin Tao Xin Equity Investment Fund Center (Limited Partnership) (萍鄉市勤道鑫控股權投資基金中心（有限合夥）), an Independent Third Party and 2.31% by Shenzhen Qin Tao Capital Management Co., Ltd. (深圳市勤道資本管理有限公司), an Independent Third Party, respectively. For further details of the subsidiaries of our Company, see Note 17 to "Appendix IA — Accountants' Report of the Group" of this Document.

(5) Certain percentage figures included in the above chart have been subject to rounding adjustments.

Corporate Structure Immediately After the [REDACTED]

The following chart sets forth the shareholding and corporate structure of the Group immediately after the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



Notes:

(1) - (5) See "— Corporate Structure — Corporate Structure Immediately Before the **[REDACTED]**" in this section.

OVERVIEW

Who We Are

We are a company specializing in intelligent manufacturing with a global mindset and presence. We provide advanced products and solutions to leading technology companies worldwide, ultimately enabling the connection of people, devices and infrastructure. Our strong technical capabilities underpin the development of PCBs, optical transceivers, precision components and touch panels and LCMs that we design, manufacture and sell across the globe. The global PCB market is highly competitive and fragmented, with the top 10 players accounting for 37.4% of the total market share. We are the world's largest PCB supplier for edge AI devices, primarily smartphones, PCs, automotive and industrial and IoT equipment where AI models are run locally at or near the point of data generating rather than relying primarily on cloud-based processing. We had a 26.9% share of the PCB for edge AI devices market in 2025, according to CIC. We are also rapidly expanding our capabilities into the data center end market, strengthening our capabilities to support the deployment of AI across data center and the edge and thereby advancing the transformation towards an intelligent and connected era.

Our dedication to innovation, continuous improvement and operational excellence since the beginning of our journey has enabled us to achieve leadership in our core product areas. According to CIC, we are the largest PCB supplier for edge AI devices with a market share of 26.9%, the second-largest FPC supplier with a market share of 24.5% and a top three PCB supplier globally by revenue with a market share of 4.2% in 2025.

We have a diversified portfolio built around our core customers. Our PCBs, optical transceivers precision components and touch panels and LCMs are widely used in consumer electronics, automobiles, data centers, telecommunications equipment and industrial control devices. We leverage synergies across R&D, engineering, supply chain and operations to deliver comprehensive solutions for our customers, and we offer an extensive multi-product portfolio to leading global technology companies. Moreover, according to CIC, we are the only supplier in the world with capabilities across PCBs, optical chips and optical transceivers, which together represent approximately 9% to 14% of an AI server's bill of material cost, second only to GPUs in most AI servers, enhancing our competitive position into the high-growth data center end market.

Within our diversified product portfolio, our products with long-standing track record, including PCBs, precision components, touch panels and LCMs, serve the consumer electronics, automotive and telecommunications end markets and provide a stable and resilient revenue and cashflow. These businesses form the foundation of our operations and support the sustainability of our overall performance. In parallel, our optical transceivers and AI PCBs targeting the AI and data-center end-markets, represent our primary growth engine, with the demand driven by the accelerating global built-out of AI-related infrastructure.

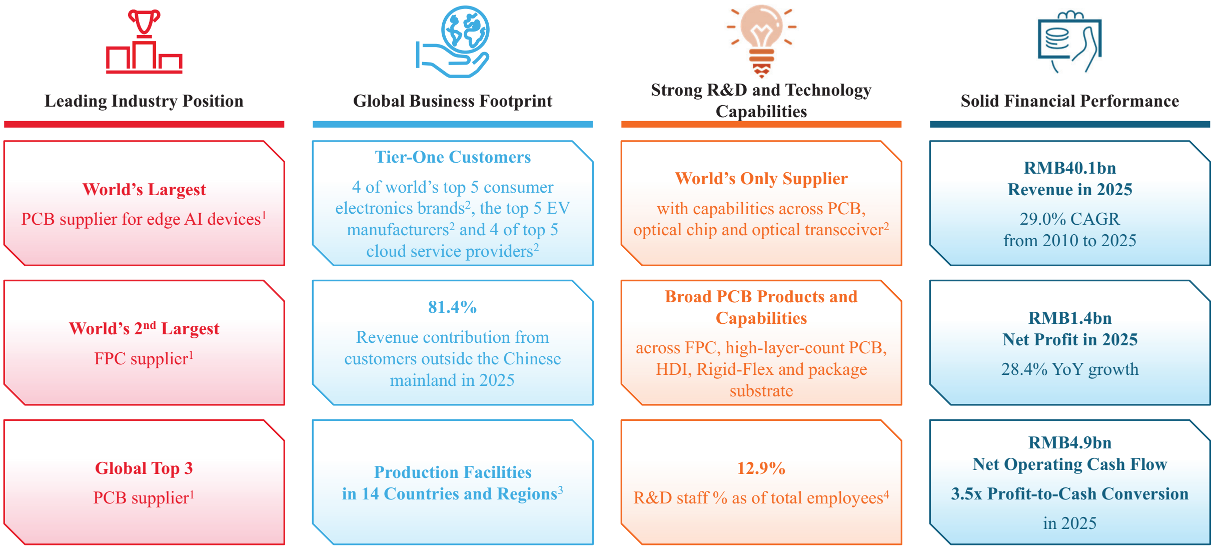
The increasing penetration of AI-enabled devices at the edge, together with the ongoing electrification of vehicles and the upgrade of in-vehicle infotainment systems, is expected to support continued growth in content value and demand across our products with long-standing track record. Meanwhile, according to CIC, major hyperscalers in the United States and China are expected to materially increase their capital expenditure, by approximately 60% to 70%, in 2026, driving the demand for our optical transceiver and AI PCB products.

Our strategies have translated into deep, long-term relationships with leading global brands. We are a long-standing partner to four of the world's top five consumer electronics brands, as well as the top five EV manufacturers and four of the top five cloud service providers. We work closely with customers in the early stages of their product design processes, which enables us to build long-term trusted customer relationships and gains insight into latest industry developments and technological trends. Together with our intelligent manufacturing capabilities and global footprint, this approach is critical to meeting our customers' stringent requirements to ensure product quality, delivery efficiency and supply chain resilience.

We have been focusing on expanding our global manufacturing presence whilst enhancing regionalized operations and service capabilities that address our customers' evolving needs. Our recent acquisition of GMD, a European automotive components supplier, further exemplifies this strategy, where we will apply our manufacturing expertise to localized operations to deliver best-in-class service to an expanded customer base. In 2025, 81.4% of our revenue came from outside the Chinese mainland. As of the Latest Practicable Date, we had production facilities across 14 countries and regions in Asia, North America, Europe and Africa, with overseas employees representing approximately 20% of our total headcount.

At the same time, through investment in R&D and strategic M&A, we have built substantial know-how and capabilities in key technologies, including deep-via micro-drilling and ultra-fine line processing for FPC, high-layer-count PCB and high-build-up HDI used in GPUs, AI accelerator cards and data center switches, metal-mesh touch, automotive LCMs, brazing of die-cast components and design and manufacturing of optical chips and optical transceivers. As of December 31, 2025, our R&D personnel accounted for approximately 12.9% of our total workforce, placing us in a competitive position in the global PCB industry and reflecting our strong focus on innovation. We continuously digitalize and automate our facilities to push the limits of advanced processes in intelligent manufacturing. Our smart production lines and facilities have received several distinctions, including the "Intelligent Manufacturing Demonstration Factory," "Excellence-tier Intelligent Factory," "5G Factory" certification from the MIIT of the PRC, and the "IIoT Benchmark Factory" certification from Jiangsu Province.

The following chart demonstrates the highlights of our business:



Note:

1. According to CIC, by revenue in 2025
2. According to CIC
3. As of the Latest Practicable Date
4. As of December 31, 2025

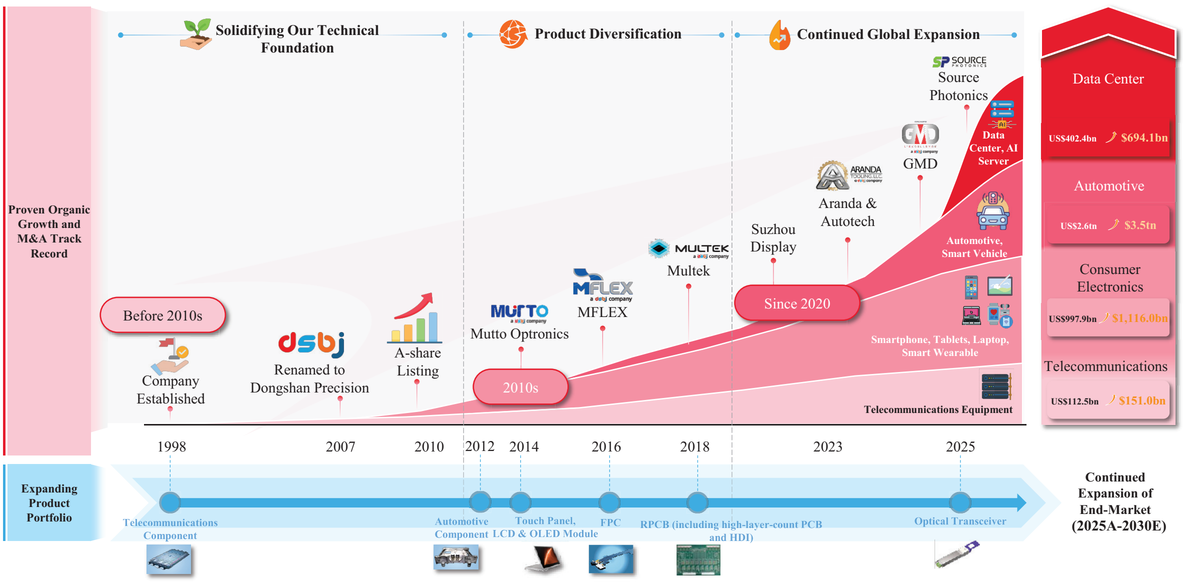
Development Phases

Since our founding in 1998 in Suzhou, China, we have been guided by our core values, "Diversity, Simplicity, Breakthrough, Journey." We strive to stay ahead of industry shifts and market dynamics. Through the combination of organic growth and strategic acquisitions, we have strengthened our core businesses while expanding into emerging products and markets. Along the way, we have fueled innovation into products that provide unique value, enhanced our customer mix, broadened our end-market coverage and strengthened our competitiveness and technical capabilities.

We have been committed to serving a global customer base since our founding around the turn of the millennium. With a global mindset and through strong operation and execution, we have continuously met the rigorous standards of international brands and earned recognition and trust from key players across machine tools and telecommunications equipment for the quality of our products and services since our early days. In 2010, we completed our initial public offering and became listed on the Shenzhen Stock Exchange, which enabled us to accelerate our strategies. Since then, we have expanded the end markets we serve from telecommunications equipment to consumer electronics, automotive and data centers while broadening our product portfolio to include touch panels, LCD and OLED modules, automotive components, and FPCs and RPCBs, including high-layer-count PCBs and HDIs, keeping us in step with the global digitalization and intelligent transformation. More recently, we have further expanded our capabilities and product portfolio into optical transceivers, thereby deepening our footprint in emerging growth areas such as data center and AI server.

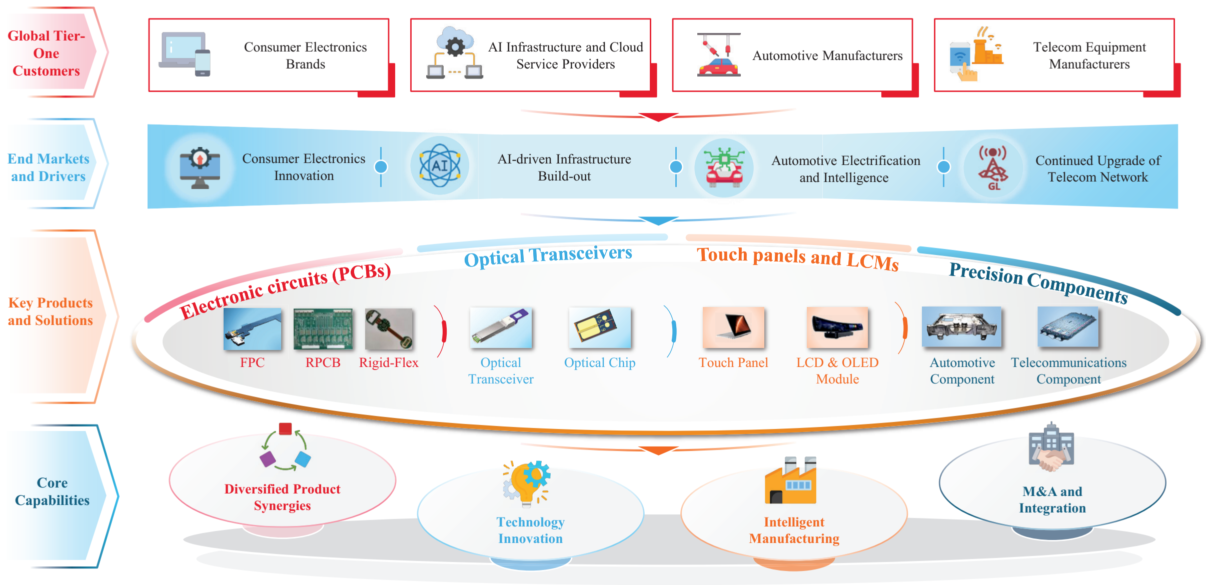
Over the years, we have established a strong track record in strategic acquisition, which, together with our integration capabilities have been instrumental in the expansion of our product portfolio and technological capabilities. As a result, we have expanded our customer base in both established and emerging markets, broadened our addressable markets and delivered sustained value creation for our shareholders.

The chart below highlights our journey and key milestones.



Our Products

Our products include PCBs, optical transceivers, precision components and touch panels and LCMs. We provide distinctive and comprehensive solutions by leveraging technological innovation and advanced manufacturing and creating synergies across product, R&D, technology, supply chain and sales. The following highlights our main products and solutions and their respective applications.



- *PCBs*: Our PCB products include FPC, RPCB and Rigid-Flex for consumer electronics, automotive, data centers and AI servers and telecommunications equipment. According to CIC, we have been the second-largest global FPC supplier and a top-three PCB supplier by revenue for five consecutive years since 2021. We serve leading global consumer electronics manufacturers, automakers and cloud service providers. Through these partnerships, we have built deep technical and process capabilities that reinforce our competitive advantage.

- *Optical Transceivers*: Through Source Photonics, a leading global provider of optical transceivers, we have built in-house optical chip capabilities centered on high-speed EML chips with transmission rates from 2.5G to 200G. We currently focus on commercializing high-end 100G and 200G PAM4 EML chips, while advancing the development of next-generation technologies such as 400G EML chips and high-power CW light sources. In addition, We offer optical transceivers from 10G to 1.6T and are developing next-generation transceivers of 3.2T or higher. According to CIC, Source Photonics is one of the only three companies across the globe with vertically integrated in-house capabilities that extend from the design to the manufacturing and packaging of optical chips and transceivers, and is also among the few companies in the Chinese mainland with mass production capabilities for 100G and 200G optical chips. Its products serve a wide range of data center and telecommunications applications, creating a unique advantage that combines AI PCB with optical transceiver, positioning us as an integrated supplier of critical enabling technologies in the AI ecosystem.

- *Precision Components*: Our precision components primarily include automotive components and telecommunications equipment components. We have leading capabilities in precision components for the automotive and telecommunications industries. Over the past decade, we have extended our R&D and manufacturing capabilities developed in telecommunications components into automotive, broadening downstream applications and establishing long-term partnerships with major automakers worldwide and laying a solid foundation for further growth.

- *Touch Panels and LCMs*: We offer touch panels and LCD and OLED modules used in automobiles, smartphones, tablets, laptops, industrial control devices and smart home applications. Building on years of experience in consumer touch displays, we have expanded into in-vehicle displays in 2023, where our proven technology and commercial execution continue to provide a strong platform for growth.

Our Growth Opportunities

We operate in industries and markets in the midst of rapid innovation cycles and secular growth where AI plays an increasingly central role. Our sustained R&D supports downstream sectors such as consumer electronics, automotive and data center, with each creating significant opportunities for us. According to CIC, the global market for PCBs, optical transceivers, precision components and optoelectronic displays are projected to grow at a CAGR of 7.7%, 6.7%, 5.7% and 34.6%, respectively, to reach US$123.3 billion, US$743.9 billion, US$264.3 billion and US$108.6 billion by 2030.

AI is catalyzing a new investment cycle and driving strong demand from the edge to data center. At the edge, as AI becomes mainstream and models advance, consumers are more frequently upgrading their devices. At the same time, surging AI compute needs are accelerating the build-out of new data centers and servers to deliver higher throughput, reliability and energy efficiency. With a comprehensive presence from the edge to data center, we are positioned to benefit from the following growth drivers.

AI-Driven Upgrades in Consumer Electronics

The growing prevalence of ultra-slim phones, foldable phones and edge AI devices is sharply increasing demand for FPCs and raising the bar for routing density, layer stacking and process precision. According to CIC, the global PCB market for AI-enabled consumer electronics reached approximately US$5.3 billion in 2025 and is projected to grow at a CAGR of 26.7% to reach US$17.3 billion by 2030. Today, FPCs in AI-enabled smartphones carry more than three times the routing density to accommodate additional traces in limited space and to enable high-speed connections between AI chips and multiple sensors. These designs pack more circuits and functions into the same footprint and demand extremely precise lamination and layer alignment. With faster product iteration, our advanced manufacturing technologies and long-standing relationships with tier-one customers enable us to adapt quickly to new designs, strengthening our competitive position and creating additional growth opportunities.

Electrification and Intelligence in the Automotive End Market

As the popularity of EVs and smart vehicles increases, automotive electronics accounts for a growing portion of vehicle cost, driving higher demand for PCBs that connect different critical electrical components. According to CIC, the size of global PCB market for automotive was approximately US$9.7 billion in 2025 and is projected to grow at a CAGR of 6.2% to reach US$13.0 billion by 2030. In particular, automotive is the fastest-growing FPC application. This trend underpins sustained growth in automotive FPCs. According to CIC, the global automotive FPC market reached approximately US$1.5 billion in 2025, which accounts for 11.6% of the global FPC market and is projected to grow at a CAGR of 8.5% to reach US$2.3 billion, which accounts for 14.8% of the global FPC market by 2030, making automotive the fastest-growing FPC application. Shorter model cycles are also propelling the demand of our automotive components, including thermal components, battery enclosures, body-in-white parts and battery structural parts, into a high-growth phase.

Data Centers in the AI Era

The AI wave is driving significant investment in AI infrastructure, raising performance requirements and creating rapid growth opportunities in data centers. According to CIC, the size of global PCB market for data center was approximately US$18.1 billion in 2025 and is projected to grow at a CAGR of 15.0% to reach US$36.4 billion by 2030. We have production capabilities for high-layer-count PCBs with up to 78 layers and HDIs with a build-up of 8+N+8 or above, and we are expanding capacity for high-layer-count PCBs. According to CIC, the size of global datacom optical transceiver market was approximately US$19.2 billion in 2025 and is projected to grow at a CAGR of 38.1% to reach US$96.2 billion by 2030. By combining our PCB expertise with our capabilities in optical chips and optical transceivers through Source Photonics, we have built an integrated advantage in high-speed transmission that supports the expansion of AI infrastructure. We believe our comprehensive product portfolio and advanced technologies position us well to capture additional share in this growing market.

Our Financial Performance

Supported by our leading market position, technology and global footprint, we have delivered solid financial performance in recent years. In 2023, 2024 and 2025, our revenue was RMB33,651.2 million, RMB36,770.4 million and RMB40,124.9 million, respectively. Our net profit for the same years was RMB1,965.1 million, RMB1,085.1 million and RMB1,393.0 million, respectively.

Consistent growth and profitability in our core businesses have generated strong operating cash flow, supporting our future expansion and shareholder returns. In 2023, 2024 and 2025, net cash from operating activities was RMB5,040.7 million, RMB4,978.6 million and RMB4,902.3 million, respectively. Our profit-to-cash conversion ratio for the same years was 2.6, 4.6 and 3.5, respectively.

OUR COMPETITIVE STRENGTHS

Leadership in High-growth Markets: Strategic Focus on Comprehensive AI from the Edge to Data Center

We are a company providing advanced products and solutions to leading technology companies worldwide. Built around the AI ecosystem, our capabilities span from edge AI devices to large-scale data centers. Our portfolio is positioned to capture the growth stemming from the demand for high-speed interconnects and data transmission worldwide. Our leadership in high-growth markets is not solely driven by market share but by our unique integration across PCB, optical chip and optical transceiver. This integrated capability allows us to deliver optimized and high-performance solutions tailored to the specific needs of AI infrastructure. Additionally, it provides operational advantages, such as more collaborative relationships with tier-one customers.

According to CIC, by revenue in 2025, we are among the world's top three PCB suppliers with the market share of 4.2% and the second-largest FPC supplier globally with the market share of 24.5%. According to CIC, we are the world's largest PCB supplier for edge AI devices by revenue in 2025. This blend of scale and specialization demonstrates our ability to mass produce increasingly complex, high-reliability PCB products that meet AI-driven requirements for signal integrity, power density, thermal management and compact form factors. It also reflects a consistent track record of execution with tier-one customers where quality, yield and on-time delivery are paramount.

At the same time, according to CIC, we are a leading player in optical transceivers through Source Photonics, which is one of the only three companies globally with in-house design and manufacturing capabilities in high-speed optical chips and optical transceivers. In 2025, we ranked seventh amongst global optical transceivers supplier by revenue with the market share of 2.9%. We also ranked sixth globally by optical chip production volume in 2025 with the market share of 8.6%. With a roadmap spanning 10G to 1.6T and next-generation 3.2T modules under development, Source Photonics complements our PCB leadership and strengthens our position in the high-bandwidth optical interconnects that power modern AI data centers. Today, we are the only company globally with capabilities across technologies in PCB, optical chip and optical transceiver from R&D and design through mass production, according to CIC. By combining AI-ready PCBs with high-speed optical transceivers, we deliver lower latency, higher throughput and improved energy efficiency across the data center infrastructure. This also enables tighter co-design with customers, shortens development cycles and improves system-level performance in end products.

Taken together, our capability in AI and integrated technology stack create durable advantages for the next phase of AI-driven growth. We have invested ahead of demand in advanced processes and capacity as AI adoption accelerates across the edge and data center, and we are prepared to ramp new products and capture outsized share of the industry's expansion.

Partnerships with Tier-One Customers: Broader Coverage, Greater Value

Our long-term strategic relationships with leading global brands validate our capabilities and reputation. Our customer base includes top consumer electronics brands, automakers, cloud service providers and telecommunications equipment vendors, including four of the world's top five consumer electronics brands, the top five EV manufacturers and four of the top five cloud service providers.

We stay close to our customers and their evolving needs. Supported by a broad product portfolio and an intelligent, global manufacturing network, we deliver consistent quality with localized production and service. This model has made us a trusted, long-term partner to tier-one customers worldwide. Our strategy balances proven, established products that generate stable profits and cash flow with targeted investment in high-growth opportunities that define our next phase of expansion.

We act as a full-lifecycle partner to our customers with a broad yet tightly integrated portfolio. Centered on PCBs, optical transceivers, precision components and touch panels and LCMs, our offerings cover the core building blocks of connectivity. We work closely with our customers from early concept and co-development through testing, mass production, cost and yield optimization, supply chain coordination and continuous improvement. Early engagement enables us to help shape product definitions and technology roadmaps, using real-world feedback to expedite iterations. Once established in a customer's supply chain, our technical depth, manufacturing scale and service model help us win adjacent products, expand share of wallet and establish deeper and stronger relationships that compound over time. For example:

- *Consumer Electronics:* We have been a key FPC supplier to a leading global consumer electronics company since our acquisition of MFLEX in 2016. Over the years of collaborations, we were able to gradually expand their use of our FPCs in their products and expand the applications of our FPCs from smartphones to tablets, laptops, smartwatches and wireless earbuds. Revenue contributed by this customer increased by four folds from 2017 to reach RMB18,642.8 million in 2025.

- *Automotive:* We provide a suite of integrated solutions to a leading global manufacturer of high-performance EV, starting from body structural components and gradually expanding to smart cockpit and battery PCBs, liquid cold plates, battery pack trays, battery enclosures, and thermal parts, making us the only supplier able to provide automakers with multiple core components simultaneously, including FPCs, RPCBs, Rigid-Flexes and various other structural components, with customization across each category, according to CIC. From 2020 to 2025, the content value of the various products that we provide per vehicle in its EVs increased by approximately eight folds.

Globalization: Global by Scale, Local in Execution

We operate with a global mindset. Since our earliest days, we have been serving global customers based on international standards. We grew alongside China's reform and opening up process and have been operating to the standards set by global brands, from equipment and process controls to delivery and service. That discipline shaped our culture where operational excellence is instilled as a core value that has helped us build deep relationships with multinational enterprises. This has also given us the experience and mindset to drive global expansion.

As China shifted from attracting inbound investment to making outbound investment, we evolved from meeting foreign companies' needs in China to serving customers worldwide. Today, we are integrated into global supply chains and operate as a true global company.

We operate on a simple mandate: serving every customer with excellence and creating shared value for all stakeholders. To do so, we recruit talent across the globe, foster an inclusive culture and build service capabilities close to our core customers. We have R&D teams in the Chinese mainland, the United States, Singapore, Taiwan, France, Sweden, the Netherlands, Italy and Germany, enabling us to attract local experts and stay at the forefront of innovation.

We operate production facilities across 15 countries and regions in Asia, North America, Europe and Africa as of the Latest Practicable Date. Proximity to end markets helps us navigate complex trade dynamics, lower logistics and delivery costs and improve fulfillment efficiency. We are expanding and upgrading overseas production centers to meet customers' current and future needs and to build a supply chain that is cost-efficient, resilient and flexible. With local sales, engineering and operations teams, we respond quickly to orders, technical needs and service requests, ensuring seamless delivery with on-the-ground support.

The recent acquisition of GMD represents our latest efforts towards globalization. GMD brings a mature supply chain and resource network, with production and sales across Europe, Asia, and Africa and plants located near various automakers in Europe. This expands our reach with top European automakers, extends our automotive PCB and in-vehicle display offerings to GMD's customers and strengthens our European manufacturing and service footprint.

In an increasingly volatile global market, we orchestrate regional operations by leveraging technology leadership, scalable capacity, strong customer relationships and a multi-region manufacturing and supply chain network. This increases our resilience to disruptions, improves local responsiveness and delivery and ensures a stable supply chain for customers worldwide.

Technology and R&D: Market-Driven Innovation with Proven Track Record

We operate an innovation-centric R&D system designed to translate customer needs into products quickly and reliably. Our R&D effort spans a product's full lifecycle, from concept and design through prototyping, pilot builds and mass production, under disciplined stage-gate processes. We invest steadily in new materials, processes and production methods to shorten time-to-market and enhance yield and reliability.

Our R&D is market-driven and customer-centric. We maintain a robust pipeline and iterate rapidly, so our roadmap tracks where demand and technology are heading and can be deployed at scale. Through co-development with tier-one global customers, we advance technologies and accelerate commercialization across the value chain. Through sustained R&D investment and strategic acquisitions, we have developed distinctive strengths across PCBs, optical transceivers, precision components and touch panels and LCMs:

PCBs. We are a leader in FPC, high-layer-count PCB and HDI. Among the first manufacturers to mass-produce FPC with 50 μm microvias and 25 μm line/space, we offer dynamic FPC rated for over one million bend cycles. We produce HDI with a build-up of 8+N+8 for GPU and AI accelerator cards and utilize copper-paste sintering for boards up to 14 mm thick to ensure signal stability. For AI data centers and high-end switches, we manufacture high-layer-count PCBs with more than 50 layers that support 224 Gbps signaling. To meet the interconnect demands of multi-GPU AI clusters, we have mastered the use of orthogonal backplanes on MLPCBs with over 70 layers. This technology replaces traditional high-speed cables while improving signal integrity, operability, and reliability.

Optical Transceivers. Through Source Photonics, we now have capabilities ranging from optical chip development to optical transceiver manufacturing, with parallel roadmaps in EML and silicon photonics.

We are at the forefront of ultra-high-speed transceivers R&D and commercialization: our 1.6T transceivers are progressing through qualification with our key customers, and we are actively developing 3.2T and higher modules to meet the ultra-bandwidth interconnect needs of AI data centers.

Touch Panels and LCMs. Years of sustained investment have given us robust capabilities and a leading position in advanced display technologies, and we are among the few suppliers qualified to produce complex, custom-shaped modules for all major LCD brands. Our metal-mesh touch solutions set the industry benchmark in various technical aspects. In the automotive sector, our LCD modules support the shift to slim, highly customized smart-cockpit displays with outstanding in-vehicle performance.

Precision Components. We possess wide-ranging process strengths in precision components and have a proven record of bringing innovations into mass production in the past few decades. Our continuous tunnel-furnace copper brazing delivers over 90% bonding yield while meeting stringent specifications. Our automated flux spot-dispensing targets complex geometries, significantly lower residue levels, reduce cost and enhance product reliability.

To supplement our in-house R&D efforts, we collaborate with various leading universities, research institutes and trade associations to establish joint laboratories and talent programs. These partnerships extend our research limits and help convert breakthroughs into differentiated product advantages.

During the Track Record Period, we spent RMB3,845.2 million in R&D. Combined with our global footprint and deep customer engagements, these sustained investments enable rapid commercialization of next generation technologies for AI infrastructure and across all our focus areas, delivering higher quality, improved yields and resilient, reliable supply worldwide.

Intelligent Manufacturing: AI-powered and Data-driven Production Process

We operate an intelligent manufacturing system that embeds digital technologies across production planning, factory operations and shop-floor management, reshaping how we optimize production lines, run factories and manage performance. They have increased our throughput and yield and improved our ability to respond flexibly to demand.

Our intelligent manufacturing lines deliver significant economies of scale and capital efficiency. Continuous enhancements ranging from optimized line configurations to expanded capacity allow us to capture scale benefits across a broad product mix. Moreover, we are deepening AI automation processes across operations to elevate quality, lower costs and increase efficiency.

In practice, we deploy fully automated test lines incorporating machine vision and AI inspection, and we have rolled out SMT automation across our PCB production to reduce labor intensity and cycle time. AI-powered monitoring provides real-time guidance on the shop floor, optimizing workflows and ensuring adherence to operating standards. For quality control, AI vision systems improve defect-detection accuracy and reduce re-inspection costs, supported by a comprehensive multi-factor quality analytics system that unifies detection, analysis, and optimization in a closed loop. A centralized production control center orchestrates operations across all stages, enabling rapid exception response, efficient resource deployment, expedited issue diagnosis and consistently superior operational performance.

Our progress is validated by external recognition. Among our PCB production centers, our Yancheng Weixin FPC Intelligent Factory holds multiple distinctions from MIIT, including recognition as a "National Intelligent Manufacturing Demonstration Factory," an "Excellence-tier Smart Factory," and a "5G Factory." Our Suzhou Weixin FPC Smart Factory is recognized as a "Jiangsu Provincial IIoT Benchmark Factory." For touch panel and LCM, our Suzhou Display automotive LCD panel manufacturing unit was recognized as a "Jiangsu Provincial Intelligent Manufacturing Demonstration Workshop." For precision component, our NEV motor controller smart factory earned the recognition of "Jiangsu Provincial Advanced-level

Intelligent Factory." These distinctions underscore the scalability and robustness of our intelligent manufacturing model. Together, our AI-powered, data-driven production system and global factory network provide a resilient, cost-competitive supply base that can ramp new programs quickly and consistently.

Strategic M&A: A Proven Playbook for Step-Change Growth

We have a strong track record of strengthening and expanding our business, anticipating industry shifts and accelerating entry into high-potential markets through strategic acquisitions. Over the years, we have executed a series of landmark transactions, including the Mutto Optronics, MFLEX, Multek, Suzhou Display, GMD and Source Photonics. They opened focused pathways into high-growth opportunities across consumer electronics, automotive and data centers while expanding our footprint in North America and Europe.

We follow a disciplined screening process rooted in our industry insights and deep M&A experience. We prioritize targets with experienced management teams, blue-chip customers, stable cash flows, sensible valuations and clear synergy potential. This approach ensures we secure profitable growth from the outset and invest in businesses with demonstrable value-creation potential.

Accordingly, acquisitions unlock value for us in two pivotal ways. On one hand, they accelerate time to market for new products. By acquiring a target with proven technologies and manufacturing capacity with established teams and customers, we can swiftly capture growth windows as they open and leverage R&D, capacity, management organization and customer base of the target. On the other hand, they strengthen the broader ecosystem and our competitive position by streamlining and upgrading capacity, consolidating the market and creating durable synergies across product portfolios, cost structures, customer access and talent.

In this process, integration is where our playbook differentiates. We begin with organizational integration by retaining strong management, seconding seasoned leaders to bridge processes and systems and instituting clear governance. We then realize strategic synergies by expanding customer access, optimizing the supply chain and standardizing shared finance and analytics platforms. On execution, we fuse operational strengths to build scalable models that elevate quality, yield and delivery reliability. Incentives are aligned by preserving existing compensation frameworks and layering in performance-linked short- and long-term cash and equity plans. We cultivate an open, inclusive culture that supports transparent engagement and durable performance across combined teams.

From 2016 to 2025 the revenue of MFLEX, a leading global FPC supplier we acquired in 2016, increased more than six folds, rising from the fifth-largest to the second-largest global FPC supplier globally and maintaining that position for five consecutive years since 2021, according to CIC. By 2025 the acquisition delivered an approximately 8x ROI on an operating-cash-flow basis. From 2018 to 2025, the net margin of Multek, a leading global PCB manufacturer focused on RPCB, including MLPCB and HDI that we acquired in 2018, improved from 4.6% to 10.4%. Collectively, these outcomes show that our M&A model delivers growth and profitability, enhances capital efficiency and generates operating leverage at scale. GMD and Source Photonics will further extend our reach into European automotive and high-speed optical transceivers.

Leadership: Visionary Management with a Global Perspective

Our Chairman, Mr. Yuan Yonggang, and our General Manager, Mr. Yuan Yongfeng, have guided our development since the 1990s. With sharp industry insight and decisive leadership, they have steered the company to capture opportunities and deliver consistent growth. Our management team is young yet deeply experienced in advanced manufacturing; many of them have experience in multinational enterprises that reinforce our globalization strategy and cross-border execution.

Our core management team brings an average of 25 years' experience across PCB, precision manufacturing and capital markets, bringing both strategic acumen and rigorous operational discipline. As of December 31, 2025, our R&D staff comprised 12.9% of our total employees, reflecting the depth of our engineering capabilities and our commitment to innovation.

Under this leadership, we have built a culture of "Diversity, Simplicity, Breakthrough, Journey." We consistently raise operational standards, deliver superior products and services and drive industry-wide innovation as AI-enabled, connected technologies scale across devices, vehicles and data center infrastructure.

OUR GROWTH STRATEGIES

As AI transforms industries, we strive to remain close to our customers and execute against clear priorities: upgrade our portfolio toward higher-value products; scale capacity in key regions; pursue disciplined M&A with seamless integration; deliver breakthrough innovations; and drive data- and AI-enabled productivity and deepen our global talent bench. By combining organic growth with strategic acquisitions, we expect to continue to broaden our addressable market, gain share in high-growth areas and solidify our position as a global advanced intelligent manufacturing leader with a strong technology portfolio and a collaborative stakeholder ecosystem.

Customers and Products: Closer to Demand, Faster to Market

We are committed to staying aligned with customer needs and expanding our portfolio in step with AI-driven demand, concentrating resources on high-growth products, deepening engagement with tier-one customers and scaling across priority end markets. To achieve this, we plan to pursue the following strategies:

- ***Anticipating tech and customer roadmaps***: We plan to stay ahead of technology trends and track tier-one customers' roadmaps to build a portfolio that enables upselling and cross-selling, increases value per product and drives revenue and market-share growth. Specifically, we plan to enable upselling primarily by leveraging our manufacturing platforms and qualification capabilities to support customers' adoption of more premium products, and deepening early-stage design engagement with customers to expand from initial sales into additional products and subsequent generations. We plan to enable cross-selling primarily by broadening our product portfolio within each customer by integrating and consolidating Source Photonics' product offerings into the Group's overall portfolio, and coordinating key customer coverage across business units and regions to identify and execute multi-product opportunities across customers' different product lines and end markets.

- ***Aligning to AI cycle and priority markets***: We aim to remain highly responsive to industry, market and customer shifts, align strategy to the AI growth cycle and deepen coverage across the end-to-cloud AI ecosystem. Specifically, we plan to focus on areas including consumer electronics innovation, automotive electrification and intelligence, and data center build-outs with sustained demand and significant growth potential.

- ***Investing in high-growth products and supply chains***: We plan to broaden our product portfolio and accelerate investment in products with the strongest trajectories. We plan to prioritize advanced PCBs and optical transceivers for AI computing demand, aiming to secure positions in more tier-one global brands' supply chains and to strengthen product portfolio for AI infrastructure. We will continue to refine the product mix and deploy resources to maximize operating efficiency.

- ***Feedback-driven growth***: We plan to tighten customer feedback loops to drive rapid iteration and expansion, converting customer wins into higher share with top customers. Leveraging our insight into edge AI devices and AI infrastructure, we plan to translate customer needs into scalable, high-quality products through innovation and advanced manufacturing, while building a more resilient, diversified customer base to drive volume and share gains.

Capacity Expansion: Regionalized Capacity for a Dynamic Global Market

We plan to expand advanced manufacturing capacity in line with customer demand and industry trends, while enhancing local operating capabilities across priority markets. To achieve this, we plan to pursue the following strategies:

- ***Capacity scale-up for optical transceiver and AI PCB***: We plan to proactively deploy capacity in China and overseas to sustain growth in priority products. For optical chips, we are currently developing 400G PAM4 EML chips, which are expected to be used in 3.2T optical transceivers and we plan to focus on 400G EML chips and high-power CW light sources, while expanding and optimizing capacity to respond quickly to AI-driven demand surges and to secure core positions in the supply chains of leading global cloud service providers. For optical transceivers, we offer products from 10G to 1.6T and are currently developing the next generation 3.2T transceivers. For high-end PCBs, we plan to address supply gaps by expanding capacity and optimizing the product mix at Multek to meet medium- to long-term demand from data center and AI servers.

- ***Localized capacity and supply chain***: We intend to expand and upgrade regionalized capacity and supply chains to enhance flexibility amid evolving trade and regulatory landscapes. We plan to increase the production capacity of high-precision FPC overseas to support local production and strengthen supply chain resilience. Drawing on our global network, we will allocate next-phase investments to regions with structural advantages in cost and supply chain access.

- ***Global sales and service expansion***: We plan to expand our global sales and service presence, invest in local support, reduce delivery costs and accelerate response times to deepen long-term partnerships with customers worldwide.

M&A: Strategic Transactions with Integration Excellence and Industry Insight

We aim to leverage our proven M&A and integration record to unlock synergies and pursue selective acquisitions and investments that strengthen our technology leadership and market positions. To achieve this, we plan to pursue the following strategies:

- ***Strategic transactions with market upside***: We intend to pursue acquisitions and investments across the industry value chain, focusing on targets with strong technical moats, clear product-market fit and meaningful customer pull. Guided by demand signals and industry trends, these moves will reinforce our technology leadership and underpin durable and long-term growth.

- ***Integration for rapid synergy***: We intend to apply our proven playbook for GMD and Source Photonics to accelerate customer coverage and integration across operations, R&D and technology. Specifically, we plan to provide on-the-ground support in operations, customer engagement and governance and integrate processes and systems. We will leverage complementary products and customer relationships to drive joint development, enable cross-selling, broaden presence within key customers and expand market share.

Technology R&D and Intelligent Manufacturing: Invest in Innovation, Scale AI-Driven Operations

We aim to center our growth around innovation by increasing R&D in key technologies that align with tier-one global customers' needs and accelerating the rollout of digital and AI capabilities to reinforce leadership in advanced manufacturing. To achieve this, we plan to pursue the following strategies:

- ***Advancing Technology Boundaries***: We intend to increase R&D investment in strategic and core technologies. For high-end PCBs, we plan to advance high-layer count PCB and HDI manufacturing and enhance high-speed signal-integrity control to improve performance and reliability. For optical transceivers, we intend to pursue a dual-track roadmap across EML and silicon photonics. We will prioritize EML in the near term to advance 800G+ products, while developing silicon photonics for its cost and integration advantages and deploying it in the most suitable applications.

- ***Accelerating AI- and data-driven execution***: We plan to upgrade our intelligent manufacturing infrastructure and integrated platforms on our existing systems and data governance framework. We intend to enable broad AI adoption through training and implementation, so R&D, production, supply chain and corporate teams can use AI tools in daily workflows.

Global Talent Pipeline: Attract, Develop and Integrate for Impact

We will invest in hiring, development and our rewards system to strengthen our talent pipeline to support our global strategy. To achieve this, we plan to pursue the following strategies:

- ***Attracting global talent***: We plan to broaden our recruiting channels to attract specialized talent with a global perspective. We will continue our "Evergreen Program", combining campus and experienced hiring to build a robust, long-term talent pipeline. As we scale globally, we also plan to prioritize local hiring in key overseas markets and launch programs to recruit and develop international talent in selected regions, deepening global talent integration and cross-cultural collaboration.

- ***Institutionalizing know-how and advancing career growth***: We plan to strengthen our company-wide learning system to support our employees' growth at every stage of their careers. We also aim to formalize and transfer critical technical know-how by expanding training on technologies to elevate the capabilities of our core technical talent. Leveraging our global footprint, we will combine China's engineering strengths with local expertise worldwide to build a more efficient and collaborative talent network.

- ***Rewarding results and building ownership***: We will continue to refine our compensation structures and promotion pathways to ensure fairness and market competitiveness. We intend to maintain a balanced mix of rewards, including both short- and long-term incentives and we will expand equity plans to align long-term value creation for both employees and the Company.

OUR EVOLUTION

We began our journey as a provider of precision components in the 1990s, growing alongside China's reform and opening up process and the rise of its robust manufacturing prowess. Through our commitment to innovation and a culture of continuous improvement, we have since evolved into a global leader in intelligent manufacturing.

By prioritizing innovation, we have consistently captured opportunities in consumer electronics, automotive and AI infrastructure. For example, recognizing the growing demand for AI applications, we have been focusing on high-frequency and high-density PCBs, especially FPCs, as a critical supplier to companies building edge AI devices and next-generation vehicles. We respond dynamically to market demands and accordingly expand and diversify our product portfolio, establishing ourselves as a trusted partner to leading global brands across multiple industries.

At the same time, our ability to execute strategic acquisitions has been a cornerstone of our growth strategy. By identifying synergistic opportunities and seamlessly integrating acquired companies into our operations, we have solidified our technological capabilities and expanded our product offerings. For instance, in 2016, our acquisition of MFLEX significantly expanded our expertise in FPCs, solidifying our position as a critical supplier of consumer electronics and smart devices. In 2018, the acquisition of Multek enhanced our capabilities in RPCB including high-layer-count PCB and HDI, which further strengthened our positions in consumer electronics and extended them into the data center end market. Most recently, Source Photonics has expanded our product portfolio to include optical transceivers, which enable high-bandwidth data transmission for data centers, AI infrastructure and 5G networks.

Today, our PCB products, which represents our largest source of revenue, support complex, high-frequency, high-density applications that demand superior signal integrity, low latency and high reliability. Our advanced PCBs meet the rigorous performance requirements of AI servers, accelerator cards and GPUs as well as high-end consumer electronics. Our optical transceivers extend that performance across the AI infrastructure, enabling high-bandwidth connections that link key components in data centers and AI servers. Our precision components and LCMs are also deployed in vehicles from major automakers worldwide.

Moreover, our comprehensive product portfolio enables us to cross sell to high quality customers across end markets such as consumer electronics, automobiles and data centers. By delivering complementary solutions that span advanced PCBs, optical transceivers, precision components and touch panels and LCMs, we deepen partnerships with key customers and grow alongside them across successive product generations. This breadth enhances customer stickiness and margin resilience as we continue to push technological boundaries and deliver products that enable greater performance, functionality and reliability.

OUR PRODUCTS

We offer a comprehensive suite of products in PCB, precision component, touch panel and LCM and optical transceiver. Many of our products are specifically designed and manufactured based on customizations and needs of our customers. During the Track Record Period, we had three operating segments:

- *PCB*: We provide a wide range of PCB products, including FPC, RPCB and Rigid-Flex for AI-enabled devices and AI infrastructure such as consumer electronics, automotive and data centers. These products meet diverse design and performance requirements of leading brands and enable compact and high-speed electronic systems for next-generation edge AI devices and data centers.

- *Precision Component*: Our precision components include structural parts and functional modules for automotive and telecommunications equipment. From battery enclosure to liquid cold plate, our products ensure superior reliability and performance to meet stringent quality standards of leading companies.

- *Touch Panel and LCM*: We offer touch panels and LCD and OLED modules designed for consumer electronics, automotive and industrial applications, supporting devices such as smartphones, tablets, laptops, all-in-one PCs, and automotive infotainment system.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Electronic circuits (PCBs)	23,261,396	69.1	24,800,814	67.4	25,620,293	63.9
FPC	20,103,622	59.7	21,589,392	58.7	21,875,481	54.5
RPCB	2,845,766	8.5	2,842,974	7.7	3,228,771	8.0
Rigid-Flex	312,008	0.9	368,448	1.0	516,041	1.4
Precision components	4,162,217	12.4	4,540,319	12.3	5,930,242	14.8
Automotive component	2,942,208	8.7	3,289,989	8.9	5,166,701	12.9
Telecommunications equipment component	1,220,009	3.7	1,250,330	3.4	763,541	1.9
Touch panels and LCMs	4,861,904	14.4	6,369,925	17.3	5,985,629	14.9
Touch panel	1,646,294	4.8	2,211,679	6.0	2,445,030	6.1
LCD & OLED module	3,215,610	9.6	4,158,246	11.3	3,540,599	8.8
Optical transceiver(1)	–	–	–	–	1,435,535	3.6
Data center transceiver	–	–	–	–	1,207,623	3.0
Telecommunications transceiver	–	–	–	–	227,912	0.6
Others	1,365,688	4.1	1,059,316	3.0	1,153,160	2.8
Total	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**

Note:

(1) Revenue of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements in October, 2025.

Sales Volume and Average Selling Prices

	Year Ended December 31,					
	2023		2024		2025	
	Sales volume(1)	**Average selling price(2)**	**Sales volume(1)**	**Average selling price(2)**	**Sales volume(1)**	**Average selling price(2)**
	('000 sq. m./unit)	*(RMB / sq. m./ unit)*	*('000 sq. m./unit)*	*(RMB / sq. m./ unit)*	*('000 sq. m./unit)*	*(RMB / sq. m./ unit)*
Electronic circuits (PCBs)	3,978.9	5,846.1	5,544.3	4,473.2	6,693.5	3,827.6
FPC	2,877.3	6,987.0	4,314.1	5,004.4	5,128.8	4,265.2
RPCB	1,032.9	2,755.1	1,163.9	2,442.6	1,481.4	2,179.5
Rigid-Flex	68.7	4,537.6	66.3	5,553.9	83.3	6,195.0
Precision components	106,339.8	39.1	142,829.0	31.8	183,720.2	32.3
Automotive component	101,821.9	28.9	137,125.2	24.0	180,230.0	28.7
Telecommunications equipment component	4,517.9	270.0	5,703.8	219.2	3,490.2	218.8
Touch panels and LCMs	26,663.7	182.3	31,785.4	200.4	27,445.6	218.1
Touch panel	4,110.4	400.5	4,877.8	453.4	5,395.2	453.2
LCD & OLED module	22,553.3	142.6	26,907.6	154.5	22,050.4	160.6
Optical transceiver(3)	–	–	–	–	2,793.3	513.9
Data center transceiver	–	–	–	–	896.8	1,346.6
Telecommunications transceiver	–	–	–	–	1,896.5	120.2

Note:

(1) Sales volume are measured using the following units for each product category: electronic circuit products are measured by the aggregate area of specific product types in square meters (m^2), representing the total area of PCBs produced; precision component, touch panel and LCM and optical transceiver products are measured in units, representing the total number of finished components or assemblies.
(2) Average selling price is calculated by dividing the revenue in a given product category by the corresponding sales volume.
(3) Sales volume and average selling prices of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements in October, 2025.

Currently, we offer data center transceivers and telecommunications transceivers through Source Photonics, enabling high-speed, low-latency connectivity for data centers and telecommunications networks. With advanced technologies and energy-efficient designs, our products address the growing demands of high-speed communication. The table below provides a breakdown of revenue of the optical transceivers by Source Photonics by product type during the years indicated.

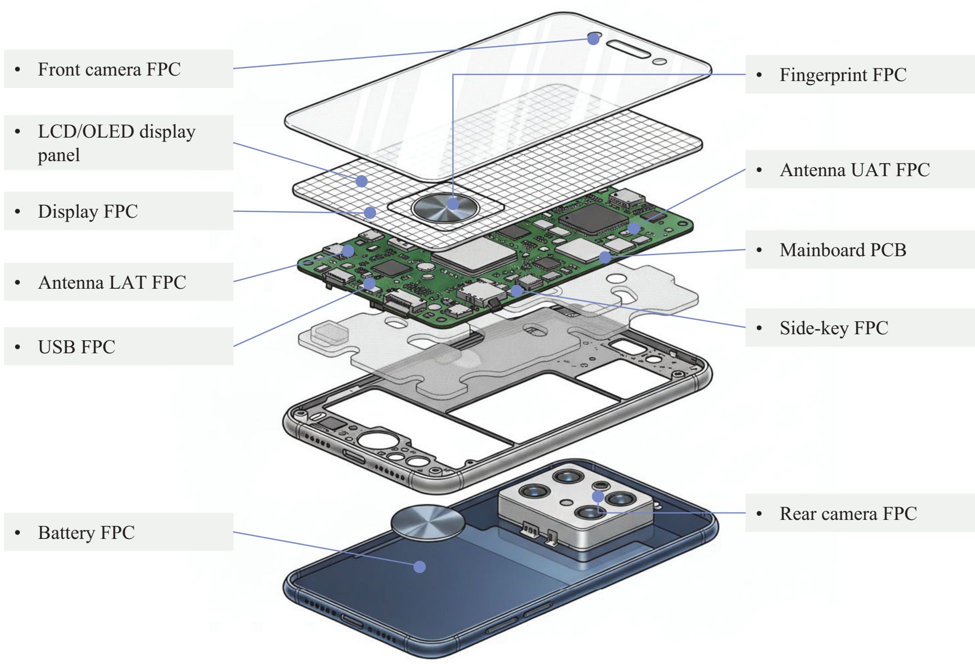
Product Category	Year ended December 31,				Nine months ended September 30,	
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in RMB thousands, except for percentages)					
Data Center transceivers	460,061	35.2	1,940,435	65.9	3,007,239	82.9
Telecommunications transceivers	826,037	63.3	971,225	33.0	599,577	16.5
Others[(1)]	19,047	1.5	33,672	1.1	20,699	0.6
Total	1,305,145	100.0	2,945,332	100.0	3,627,515	100.0

Note:

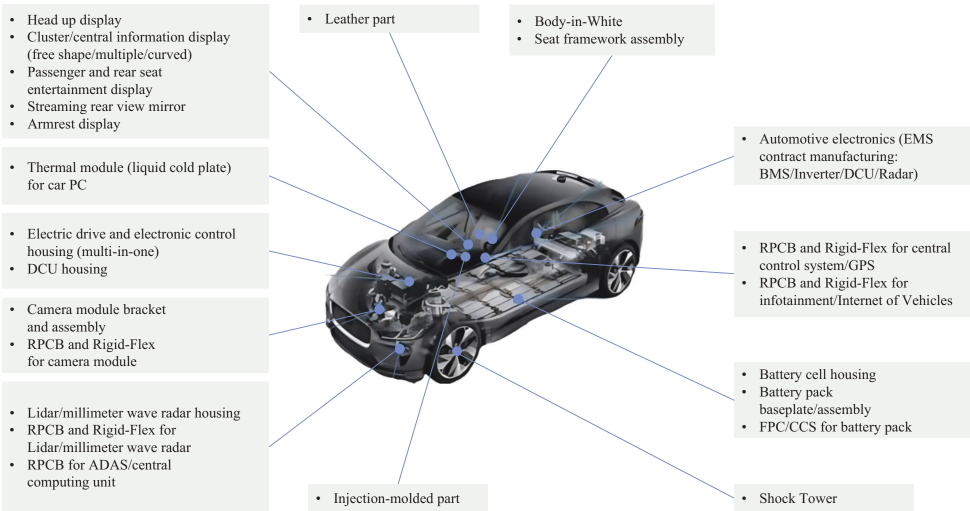
(1) Primarily includes revenue from sales of materials.

The following diagrams show the products we are capable of producing:

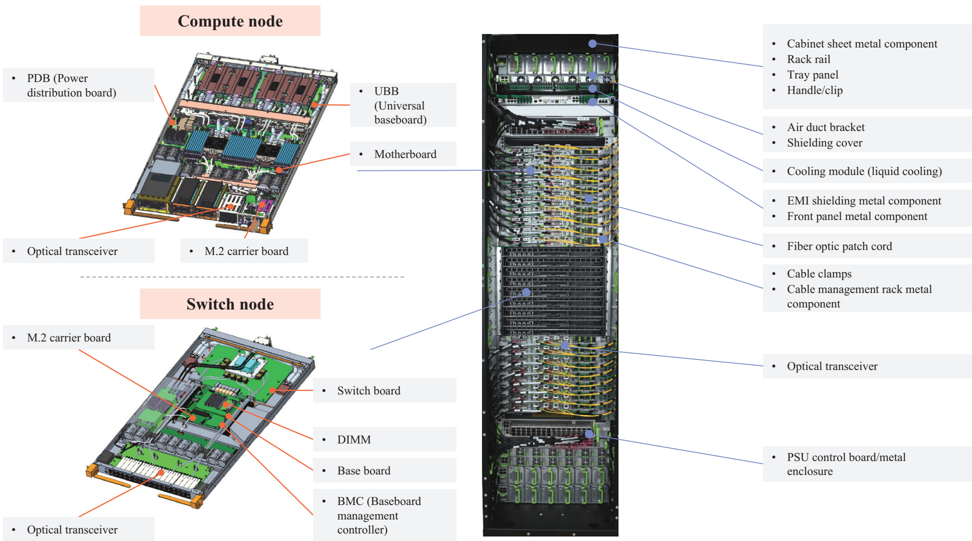
Smartphone



Automobile



Data Center



Product Portfolio

PCB

We provide a wide range of PCB products that include FPC, RPCB and Rigid-Flex, each designed to address unique design challenges and performance requirements of these products.

FPC

FPC is a type of PCB constructed on a substrate made from flexible materials such as polyimide or polyester, with copper foil layers providing electrical interconnection. Its unique adaptability allows repeated bending, folding and twisting without compromising electrical performance. This flexibility enables FPCs to be installed seamlessly in narrow or irregular spaces, reducing weight and offering greater design freedom. These characteristics make FPCs an ideal solution for compact devices and for applications that require mobility and durability.

Our FPC portfolio includes single-layer FPCs, multi-layer FPCs and FPCAs, which integrate components such as resistors, capacitors, inductors and functional devices directly on the circuit. They are engineered to meet the performance requirements of end products across industries. With thicknesses as low as 0.05 mm, our FPCs are optimized for ultra-thin and lightweight designs, enabling compact solutions that prioritize space efficiency and performance. To ensure durability and reliability, we use advanced materials that can withstand high temperatures and maintain signal integrity in demanding environments.

FPCs are widely used in edge AI devices, consumer and automotive electronics. In edge AI devices, our FPCs are becoming increasingly important for creating thinner, lighter and more advanced products, supporting high-performance features in increasingly miniaturized form factors. They are used by some of the world's leading brands in AI smartphones, wearables and other smart devices. In automobiles, our FPCs enable complex wiring in space-constrained environments, supporting critical systems such as battery management and infotainment in automobiles. As industries evolve, our FPCs remain at the forefront and help drive the creation of next-generation AI devices that are smarter, more compact and more efficient.

RPCB

RPCB is a type of PCB made with a rigid substrate that cannot be bent or flexed. Our RPCB products range from single-layer PCB and MLPCBs to HDI, meeting the needs of our customers across various industries with a focus on AI computing and consumer electronics.

Single- and double-layer PCBs are of simpler designs, featuring one or two layers of conductive copper foil separated by a substrate. They are cost-effective solutions ideal for electronic systems of moderate complexity. MLPCBs contain multiple layers of conductive copper separated by insulating materials, offering higher component density and enhanced electrical performance. HDI takes integration further by enabling higher wiring density and component miniaturization through advanced via structures, such as blind and buried vias.

In particular, high-layer-count PCBs and high-build-up HDIs allow for compact layouts, better signal performance and increased reliability in space-constrained applications. Therefore, they are particularly suited for AI computing infrastructure, where high-frequency and high-speed data transmission is critical. Our ELIC technology is the pinnacle of HDI by allowing interconnection between any layers, enabling ultra-dense routing in extremely compact designs. Our MLPCBs and HDIs utilize ultra-low-loss M8/9-grade materials to achieve transmission rates of up to 224Gbps, meeting the demanding requirements of GPUs, AI accelerator cards, AI servers and data center switches.

Our expertise in producing high-layer-count MLPCBs with up to 78 layers and HDI with build-ups of 8+N+8 ensures that our solutions deliver high-speed interconnections, minimize signal loss and maximize performance under rigorous conditions. To manage thermals in high-power designs, our thermal-enhanced PCBs integrate embedded copper blocks, buried copper pillars and laser copper filling to increase heat-spreading efficiency and reliability.

Rigid-Flex

Rigid-Flex consists of multiple rigid and flexible layers connected by plated through-holes, allowing them to integrate seamlessly into compact and complex electronic designs. It combines the durability of RPCB with the adaptability of FPC, creating a hybrid structure that offers both mechanical strength and design flexibility. The flexible sections enable movement or folding, while the rigid sections provide structural support and space for mounting components.

This unique combination reduces the need for connectors and cables, simplifying assembly and improving reliability by eliminating potential points of failure. Our Rigid-Flex products utilize high-performance materials to ensure thermal stability and reliability in demanding environments. Therefore, they are particularly suited for industries such as medical devices and automotive systems, where devices require both high performance and the ability to fit into tight spaces.

The table below sets forth a summary of our key PCB products.

Product Type	Key customer types	Fee charging model	Pricing policy	Average delivery cycle
FPC	Brand customers	Per-unit pricing, with payment due on agreed billing cycles after customer acceptance	Pricing determined based on aggregated costs and product specifications and design requirements	Approximately 20 to 40 days

Key Features/Specs	Application Scenarios
• Minimum line/space: 25/25 µm • Laser microhole diameter: 50 µm • Maximum product length > 2.0 m	Smartphone motherboard, display/camera module, high-frequency and high-speed antenna, EV BMS

Product Type	Key customer types	Fee charging model	Pricing policy	Average delivery cycle
RPCB	Consumer electronics brands	Per-unit pricing, with payment due on agreed billing cycles after customer acceptance	Pricing determined based on aggregated costs and product specifications and design requirements	Approximately 20 to 40 days

Key Features/Specs	Application Scenarios
• Capability of producing MLPCBs with up to 78 layers • Advanced thick-board HDI capability, supported stack-up: 8+N+8 with max. board thickness of 6 mm • Advanced HDI/ELIC with mSAP for high-density routing, small-pitch BGA and cavity designs • Ultra-low-loss, high-frequency/high-speed materials • Advanced via and backdrilling method; high aspect ratio plating (≥30:1) • The adoption of CAF-resistant materials, thick-copper options, low-roughness copper foil and copper-paste sintering for improved reliability	AI server, 5G base station, smart driving system, AR&VR device, wearable, robotics

Product Type	Key customer types	Fee charging model	Pricing policy	Average delivery cycle
Rigid-Flex	Brand customers	Per-unit pricing, with payment due on agreed billing cycles after customer acceptance	Pricing determined based on aggregated costs and product specifications and design requirements	Approximately 20 to 40 days

Key Features/Specs	Application Scenarios
• High-layer-count Rigid-Flex with up to 20 layers and panels as large as 585 mm • Ultra-low loss materials and high planarity and cleanliness standards to minimize loss and ensure signal integrity • Hybrid stack-ups with HDI of build-ups of 6+N+6, as well as 45/45 µm lines and spaces, feature an engineered flexlayer stack design that ensures bending reliability	AI server, data center switch, smart driving system, LiDAR, smartphone and tablet, AR&VR device, CT scanner, industrial equipment, robotics

Optical Transceiver

Through Source Photonics, we currently provide a comprehensive portfolio of optical transceiver products for data center and telecommunications end markets.

Data Center Transceiver

Our data center transceivers are designed to meet the demands of AI infrastructure, driven by the rapid growth of AI computing and applications. We focus on 400G modules in QSFP-DD, QSFP112, and OSFP and 800G modules in OSFP and QSFP-DD with DSP-based, LPO and LRO architectures. Our 1.6 T transceivers offer multiple technology options including EML, SiPh and InP PIC and adopt compact form factors such as OSFP to deliver ultra-high speed, low latency connectivity. Our own 100G PAM4 EML chips have been used in over ten million units for 400G and 800G transceivers, and our 200G PAM4 EML chips are in mass production to enable 1.6T transceivers.

Meanwhile, our 400G PAM4 EML chip in development will enable 3.2T optical transceivers. In addition, we are advancing laser packaging for co-packaged optics that integrates switching and optical/electrical conversion to significantly shorten signal paths and reduce latency, which makes it well suited for AI training and inference.

Our data center products leverage low-loss optical materials, robust signal integrity designs and adaptive power management for stable transmission and greater energy efficiency. These innovations reduce power consumption, enhance cost and durability advantages and position our solutions to meet the stringent requirements of AI data centers for speed and bandwidth.

Telecommunications Transceiver

Our telecommunications component products mainly include products for optical transmission, wireless transmission and broadband.

Our optical transmission products are designed to meet the growing demand for high-speed data transmission in metro, access and long-haul networks, combining high reliability with long-distance performance. They support multiple form factors and data rates, such as SFP, SFP+, SFP28 and QSFP-DD, and are capable of operating from 1G up to 800Gb/s.

Our wireless transmission modules operate at the physical layer of the wireless networks, performing precise electrical-to-optical and optical-to-electrical conversion to enable high-speed data exchange among BBUs, AAUs and DUs, thereby supporting stable, reliable front-haul, mid-haul, and backhaul connectivity. They are fully compatible with 5G and 5.5G deployments.

Our broadband products are built on PON architecture, a point-to-multipoint fiber system that uses passive splitters to link an OLT to ONUs/ONTs without powered field equipment. Covering both 10G PON and 25G/50G PON and aligned with F5G and F5G-A, they are deployed in FTTH, enterprise broadband and campus networks to deliver high speed data services to end users. Powered by our in-house 50G laser chips, these solutions are deployed at scale in commercial 50G-PON projects, supporting high-speed broadband services and AI data centers.

Product type	Key customer types	Fee charging model	Pricing policy	Average delivery cycle
Data Center Transceivers	Cloud service providers, network equipment providers	Per-order pricing, with payment due on agreed credit terms after customer acceptance	Pricing is determined with reference to product cost plus a mark-up and prevailing end-market prices, and is adjusted based on customers' technical specifications and design requirements	Approximately 60-90 days
Telecommunications Transceivers	Telecommunications network equipment providers	Per-order pricing, with payment due on agreed credit terms after customer acceptance	Pricing is determined with reference to product cost plus a mark-up and prevailing end-market prices, and is adjusted based on customers' technical specifications and design requirements	Approximately 60-90 days

Product Type	Key Features/Specs	Application
Data Center Transceivers	• High bandwidth and protocol compatibility: supports 800G and 1.6T; supporting multiple network and optimized for AI fabrics with InfiniBand and RoCEv2 for GPU cluster parameter sync; compatible with standard data center Ethernet for storage–compute and server-to-server traffic • High-density packaging: scalable for large AI compute clusters • Low latency and high throughput: ensures real-time data exchange across multi-GPU training nodes	• Compute cluster interconnect and storage interconnect for data centers

Product Type	Key Features/Specs	Application
Telecommunications Transceivers		
Optical Transmission	• Transmission distances from 10 km up to 100 km without relying on additional complex amplification or coherent detection • Multi-rate support: 10G / 25G / 100G / 400G / 800G with mainstream PAM4 modulation and NRZ for mid/low-rate scenarios, meeting bandwidth needs from metro to backbone layers • Protocol compatibility: interoperable with OTN, SDH, and Ethernet; supports standard frame structures such as OTU-k and STM-N • Designed for 24/7 continuous operation with low-power circuitry	• Data center interconnect (DCI) for cross-region sync/ backup • Enterprise private lines • Mobile backhaul between 5G core and base stations
Wireless Component	• Support 25G, 50G, and 100G data rates; core protocol adaptation for CPRI/eCPRI (fronthaul AAU-DU) and Ethernet (midhaul DU-CU), meeting 5G/5.5G/6G RAN needs • Short-to-mid-reach optimization: low-loss optical packaging and high-sensitivity photodetectors to minimize attenuation over short and medium distances • Low-latency transmission • High outdoor reliability for 24/7 operation with EMI-resistant design • Low power consumption	• 5G and 5.5G wireless communications
Broadband	• Rate and generational compatibility: supports mainstream 10G-PON and 25G/50G-PON generations, with multi-tech coexistence across GPON, XGS-PON, and 50G-PON • Engineered for the cost sensitivity of large-scale broadband access deployments	• Home and enterprise broadband, IPT

Precision Component

Automotive Component

We offer a wide range of structural parts and functional modules designed to meet the evolving features of the automobiles. Our products mainly include battery enclosures and liquid cold plates, which play critical roles in enhancing vehicle performance, safety and energy efficiency.

Battery Enclosure

Battery enclosures are integrated structural components that utilize lightweight, high-strength aluminum alloys to combine battery modules, management systems and other core elements into a single assembly. In our battery enclosures, integrated thermal management channels enhance heat dissipation, while the enclosure's structural role as part of the vehicle chassis lowers the center of gravity and improves both stability and overall vehicle performance. To achieve these functional goals with high efficiency and precision, we employ 8,200-ton one-stop stamping and cutting-edge laser welding techniques, supplemented by automated CCD inspection systems to guarantee consistent quality and dimensional accuracy to ensure superior safety, reliability and performance to support automobiles.

Liquid Cold Plate

Liquid cold plates are liquid-cooled heat exchangers that remove heat from high-power electronics, enabling more compact and quieter cooling systems of higher reliability. Our ECU cold plates provide precise thermal management for EV ECUs, which are the vehicle computers that control functions from powertrain to safety and infotainment. Using precision-stamped laminations, fully automated laser welding and Cu-Al reflow soldering, they help maintain optimal component temperatures, ensuring consistent performance in demanding environments.

EV Motor Housing

EV motor housings are structural enclosures that protect the traction motor and controller from shock and vibration. Our products meet IP54-plus dust- and water-ingress protection for long-term reliability. We build them using high-pressure vacuum die casting with cylinder-sleeve insert casting to achieve tight tolerances on critical bores, complemented by fully automated friction welding for high-strength, leak-tight joints that withstand vibration and thermal cycling.

At the same time, GMD's capabilities across body-in-white, chassis and thermal solutions complement our portfolio, strengthening our ability to deliver integrated solutions for more global brands. Leveraging decades of experience in automotive structural components, we meet the stringent quality standards of leading automakers and are a trusted supplier to many of the world's largest automakers. The table below summarizes our key automotive component products.

Product type	Key customer types	Fee charging model	Pricing policy	Average delivery cycle
Automotive component	Automotive suppliers	One-off upfront engineering and tooling/ fixture fees, followed by per-unit pricing after the start of production	Pricing based on total costs, with designs engineered to the customer's target cost, and quotes set based overall program profitability	Approximately 50 days

Representative Product	Key Features/Specs	Application
Battery enclosure	• Progressive die stamping with robotic handling • Automated adhesive dispensing and welding	EV battery
Liquid Cold Plate	• Precision-stamped laminations • Fully automated laser welding • Copper-aluminum reflow soldering	EV ECU, EV battery, EV inverter
EV Motor Housing	• High-pressure vacuum die-cast aluminum with cylinder-sleeve insert • Fully automated friction welding for high-strength, leak-tight joints • Cleanliness-controlled manufacturing for reliability	EV motor

Telecommunications Equipment Component

We provide high-performance telecommunications equipment components tailored to support the growing complexity of global communication networks. Our products mainly include mobile communication filters and antennas that are designed to optimize the efficiency and reliability of both indoor and outdoor deployments.

Mobile Communication Antenna

Mobile communication antenna receives electromagnetic signals from the environment and transmits signals from the base station to external networks. Aligned with next-generation network requirements, our antennas employ low-intermodulation, high-power and wideband technologies, along with high-gain, low-loss and low-wind-resistance designs. These advances deliver phase-shifter insertion loss below 0.7 dB, antenna gain above 17.5 dB and intermodulation below -153 dBc, ensuring high-quality transmission and reception while enhancing the efficiency of mobile network infrastructure.

Mobile Communication Filter

Mobile communication filter is a component of base stations to ensure only electromagnetic signals within designated frequency bands are processed, which is essential for maintaining operational integrity and minimizing interference. By combining low-intermodulation designs with high-power metal and ceramic architectures, our filters achieve passive intermodulation below -155 dBc with stability exceeding 90%. We have also reduced the volume of our individual mobile communication filter by 50%, further enhancing integration flexibility for our customers.

The table below sets forth a summary of our main telecommunications equipment component products.

Product type	Key customer types	Fee charging model	Pricing policy	Average delivery cycle
Telecommunications equipment comment	Consumer electronics brands	One-off upfront engineering and tooling/ fixture fees, followed by per-unit pricing after the start of production	Pricing based on total costs, with designs engineered to the customer's target cost, and quotes set based overall program profitability	Approximately 60 days

Representative Product	Key Features/Specs	Applications
Mobile communication filter	• Peak power handling up to 7,000 W • Mass-production intermodulation (IMD) below -155 dBc • Channel isolation >110 dB • Typical insertion loss <1.0 dB	Mobile base stations
Mobile base station antenna	• Antenna phase shifter insertion loss < 0.7 dB • Typical antenna gain > 17.5 dB • Mass-production intermodulation (IMD) below -155 dBc	

Touch Panel and LCM

We offer a comprehensive range of touch display modules to meet the diverse needs of consumer electronics, automotive applications and industrial equipment. Our products mainly include touch panels for automotive, industrial and medical equipment and LCD and OLED modules for smartphones, laptops and tablets.

Touch Panel

In automotive, industrial and medical applications, our touch panels are widely adopted in central control screens, digital dashboards and rearview mirrors. They achieve touch accuracy within ±1.0mm and response time of less than 30.0 milliseconds, meeting the increasingly stringent requirements of smart driving systems. They are also used across healthcare, retail and industrial applications, including medical equipment, POS terminals and interactive kiosks. These modules feature fast response time and adaptability to various environments, ensuring versatility across industries.

LCD & OLED Module

Our LCD & OLED modules are engineered as complete solutions, combining advanced display technologies with robust structural designs to achieve superior performance and stability. For laptops, tablets and wearable devices, they deliver high brightness of up to 1,000.0 nits, ensuring clear visibility in outdoor environments and feature wide color gamuts of over 96.0% NTSC for vibrant and accurate color reproduction. These modules integrate seamlessly into devices using full-fit lamination processes, enhancing durability and improving optical clarity.

With an integrated manufacturing process and a robust supply chain, we provide customized display modules that ensure high production yields, consistent quality and reliable delivery, effectively meeting the needs of global customers in different industries.

Project type	Key customer types	Fee charging model	Pricing policy	Average delivery cycle
Touch panel	Brand customers and ODMs			Approximately from 8 to 10 weeks
LCD & OLED module	Brand customers and ODMs	Per-unit pricing, with payment due on agreed billing cycles after customer acceptance	Pricing based on total costs, with reference to prevailing market prices, and determined through tendering or commercial negotiations	Approximately from 30 to 70 days

Representative Product	Key Features/Specs	Application
GF2-structured touch panel	• In-plane mesh width 1.7 μm • Edge line width 8 μm / 8 μm • Sensor transmittance 90% • Supports active pens (AES / USI / MPP)	Laptops, all-in-one PCs, industrial control equipment, medical device
AOFT-structured touch panel	• Touch panel thickness 0.25 mm, weight 25 g • In-plane mesh width 1.7 μm • Edge line width 8 μm / 8 μm • Sensor transmittance 90% • Supports active pens (AES / USI / MPP)	Laptops, all-in-one PCs, industrial control equipment, medical device
LCD/OLED display module for smartphone	• Blind via fill: minimum via diameter 2.7 mm • Maximum fill height 0.5 mm & minimum fill width 0.3 mm • COG bonding accuracy ±5 μm	Smartphones
LCD/OLED display module for automotive	• Surface lamination: minimum bending radius 750 mm • Irregular cutting: minimum thickness 0.125 mm	Vehicle central display

RESEARCH AND DEVELOPMENT

We consistently invest in research and development to expand our product portfolio, seize new market opportunities and strengthen our competitive edge in meeting the demands of leading global brands. By exploring innovative materials and technologies, we continuously improve our products and refine our production process. These investments enable us to deliver high-performance and quality products while staying at the forefront of the rapidly evolving market.

R&D Process

Our products are designed to meet a wide range of application requirements of our customers. By closely monitoring industry trends and maintaining collaborations with our customers, we ensure that our products meet the latest standards for performance and functionality. Due to the customized nature of our products, our R&D is often carried out in close collaboration with customers based on their customization requirements and end product designs. We typically engage well before a customer's product launch, working together to design prototype and validate components tailored to their performance, integration and reliability requirements.

We follow a systematic approach to product development as detailed below across our business lines:

- *R&D assessment and market research*. We run structured market research to pinpoint technology trends, customer needs and competitive benchmarks.

- *Concept design and feasibility validation*. We translate market insights into product concepts and then tentative specifications. Throughout this process, the R&D team conducts cross-functional reviews with marketing, engineering and supply chain to evaluate manufacturing costs, product safety and compliance with applicable laws and regulations and hazardous substances related requirements.

- *Prototype development*. We generate complete engineering documentation with detailed design and key metrics, and then build prototypes. We provide samples for customer qualification and iterate quickly based on test feedback to meet performance targets.

- *Pilot and validation*. We validate product design, production and supply chain readiness through trial builds and production process evaluations.

- *Evaluation and product release*. We complete detailed testing and project reviews prior to release, finalize supplier qualification and validate processes for mass production.

- *Mass production and scaled delivery*. We begin full-scale production in our production facilities. We leverage our intelligent manufacturing facilities by monitoring data in real time and continuously improve processes to raise yields and shorten lead times, ensuring quality and on-time delivery.

- *Continuous iteration*. We work closely with our customers on product improvements and next-generation development, iterating rapidly to keep our products aligned with their needs and at the forefront of the industry.

R&D Achievements

In addition to focusing on the R&D of specific products, we have enhanced our R&D efforts by advancing new materials, design innovations and process technologies. These advancements have resulted in a series of significant breakthroughs, earning us the trust of leading global companies as a reliable and innovative supplier:

- *PCB*. Building on integrated research in materials, processes and tooling, we have achieved mass production of ultra-thin FPCs, as well as the application of low-dielectric, low-loss modified polyimide materials in FPCs for antennas to improve signal integrity and transmission efficiency. For RPCB, we are able to produce MLPCB up to 78 layers. Our proprietary cavity fabrication process requires no extra isolation layers, significantly reducing cost and improving efficiency.

- *Optical Transceiver*. Our R&D has driven step-change advances from 10G to 1.6T, turning inventions into products while preparing for the next wave of upgrades for AI and cloud networks. At 1.6T, our R&D teams designed and validated both EML and a SiPh path meeting 24W power targets, supporting both air and liquid cooling and advancing from customer sampling toward volume. At 800G, R&D iterations cut module power to 15-16W and enabled reliable DR/FR and SR/VR variants. At 400G, our sub-9W QSFP-DD module, among the first mass-produced at that power, showcases innovation from in-house EML chips to system design.

- *Precision Component*. We have advanced the use of new materials and validated their applications in production. For example, our novel solderable die-casting alloys enable direct die-casting and subsequent soldering of heat-dissipation components, eliminating laser welding, reducing part count and lowering overall costs. On production techniques, our research and deployment of continuous tunnel-furnace copper brazing has increased welding success rates.

- *Touch panel and LCM*. Our R&D in LCD and OLED design, cutting and bonding has consolidated multiple innovations into a stable, high-volume production process. With ±0.005 mm alignment and KK level output, we lead in narrow bezel and micro hole designs and apply the same precision to full lamination for 14-16 inch notebooks and large curved automotive clusters, including complex U, C and R die cuts. These achievements deliver slimmer borders, brighter and richer visuals and scalable supply across smartphones, automobiles, and PCs.

Future R&D Focus

We are continuously refining our R&D strategy to align with industry trends and capture emerging opportunities in PCB, precision component, touch panel and LCM and optical transceiver. In the coming years, our R&D efforts will focus on several key areas to strengthen our leadership in fields such as FPCs, robotics components, metal mesh and other display technologies and optical transceivers.

- *PCB*. For FPC, we will focus on developing FPC with sub-20 μm line/space and advancing new materials to enable different applications. Our materials roadmap includes ultra-thin dielectrics and fine-line copper-clad laminates for precision FPC, low-Dk/low-Df substrates for high frequency and high-speed FPC and high-reliability materials with high insulation for high-current and high-voltage application, targeting smarter, smaller and more reliable interconnects with superior signal integrity. For RPCB, we will focus on high-density embedded components to reduce power loss, conductive-paste via filling to enhance thermal management and materials such as thick copper with thin dielectrics to improve heat dissipation. We will also further advance the evaluation of high-speed, low-loss materials to better guide material selection for AI servers.

- *Optical Transceiver*. We will pursue a dual-track roadmap for 1.6T and 800G optical modules, advancing both EML and silicon photonics paths with EML as the primary path. Our focus is to optimize 800G and 1.6T transceivers and accelerate the commercialization of transceivers with 3.2T and beyond, giving customers a broader choice set and enabling commercial deployment across diverse scenarios, especially the ultra-high-bandwidth interconnects required by AI data centers. At the same time, we will strengthen in-house optical chip R&D and manufacturing to secure key components for current products and next-generation 3.2T chips.

- *Precision Component*. We will focus on advanced robotics for next-generation automation and intelligent manufacturing, liquid-cooling technologies for servers and chips to improve thermal performance in AI computing and data centers and integrated thermal management modules for automotive applications that prioritize reliability, efficiency and system-level integration for automotive.

- *Touch Panel and LCM*. We will advance metal mesh by scaling linewidth to 1.7 μm and edge traces to 6 μm/6 μm through lithography and design optimization, targeting optical transmittance above 90%. On displays, we will lift LCM brightness toward and beyond 1000 nits via backlight and film efficiency gains, expand wide-color performance toward 110% NTSC, thin curved-glass stacks to 0.12 mm, and push narrow borders to 0.65 mm for phones and 5 mm for automotive use.

R&D Collaboration

In addition to our in-house R&D capabilities, we collaborate with leading universities and research institutions in China and worldwide, including Tsinghua University, Shanghai Jiao Tong University, Nanyang Technological University and University of California, Irvine, to leverage collective expertise and foster innovation for development of our PCBs. We believe these collaborations enable us to gain deeper insights into industry trends and emerging technologies, allowing us to focus our R&D efforts more effectively and efficiently.

The key terms of the collaboration agreements we enter into with leading universities and research institutes generally include the following:

Technical sharing arrangements	:	We may establish an R&D centre or team to conduct joint R&D on new technologies, for which we would fund certain operating expenses and provide staffing support. Such R&D centres or teams are typically established on a project- or task-specific basis to pursue a shared technological objective.
Ownership of IP rights	:	We retain ownership of our pre-existing IP, while IP developed through the joint research is generally co-owned by us and the collaborating parties, and neither party may transfer or otherwise dispose of such jointly owned intellectual property without the other party's prior written consent.
Key milestones	:	The researchers are expected to meet specified technical milestones within agreed timeframes and project phases. We will assess performance against these outcomes based on our established evaluation procedures.
Cost and/or profit sharing arrangements	:	We generally bear our own costs under the agreements, adopt fixed milestone-based development fees, and most profit-sharing terms are subject to future negotiations.
Development Risks	:	Each party shall bear, at its own risk, any development risks arising from existing technological limitations in connection with the joint R&D projects.
Termination	:	We may terminate the agreements by mutual consent with the collaborating parties or unilaterally upon the occurrence of specified default events such as material breaches and insolvency.

R&D Team and Expenses

Our R&D team has a global footprint that enables us to address market opportunities worldwide. As of the Latest Practicable Date, we have R&D teams in the Chinese mainland, the United States, Singapore, Taiwan, France, Sweden, the Netherlands, Italy and Germany. Our dedicated R&D teams operate in a decentralized model, aligned through company-wide roadmaps and guidance to enable coordination and continuous advancement of core technologies.

As of December 31, 2025, we had 5,074 research and development personnel, representing 12.9% of our total employees. The core members of our R&D team have approximately 12, 15, nine and 10 years of experience on average in the R&D of FPC, RPCB, precision component, touch panel and LCM, respectively.

In 2023, 2024 and 2025, our research and development expenses amounted to RMB1,161.2 million, RMB1,266.8 million and RMB1,417.2 million, accounting for 3.5%, 3.4% and 3.5% of our revenue in the respective years. Our research and development expenses are not capitalized.

SALES AND MARKETING

Our sales and marketing team focus on building and expanding strategic customer relationships to become and remain as their trusted long-term collaborator. We develop short- and long-term business plans aligned with company strategy and informed by industry trends, competitors' products, technologies and pricing and customers' development plans and technology roadmaps. Currently, we have more than 20 regional sales and customer service teams covering key markets such as the North America, Europe and Asia.

Our Customers

Our customers are mainly global brands in the consumer electronics, telecommunications and automotive industries. In 2023, 2024 and 2025, sales to our five largest customers amounted to RMB24,734.5 million, RMB26,122.3 million and RMB25,814.1 million, accounting for 73.5%, 71.0% and 64.4% of our total revenue in the respective years. During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest customers in any period during the Track Record Period that are required to be disclosed under the Hong Kong Listing Rules.

For the year ended December 31, 2025

	Customer	Transaction amount	Percentage of revenue	Year of Commencement of business relationship	Major products sold
		(in RMB thousands)	%		
1	Customer A(1)	18,642,838	46.5	2016	FPC
2	Customer B(2)	2,809,003	7.0	2023	Automotive display
3	Customer C(3)	2,281,029	5.7	2014	Laptop display
4	Customer D(4)	1,234,755	3.1	2016	FPC, RPCB, metal structural component
5	Customer E(5)	846,434	2.1	2018	RPCB

Notes:

(1) Customer A is a multinational corporation headquartered in the U.S., which principally engages in the design, manufacturing and marketing of consumer electronics as well as sales of related services. It is listed on Nasdaq Stock Market.

(2) Customer B is a company specializing in the research and production of display products headquartered in Japan. It is listed on Tokyo Stock Market.

(3) Customer C is a technology company specializing in designing, manufacturing and marketing consumer electronics headquartered in China. It is listed on HKSE.

(4) Customer D is a company specializing in EV and energy generation and storage systems headquartered in the United States. It is listed on Nasdaq Stock Market.

(5) Customer E is a company delivering smart devices, mobile electronics and consumer products headquartered in the United States. Its parent company is listed on Nasdaq Stock Market.

For the year ended December 31, 2024

	Customer	Transaction amount	Percentage of revenue	Year of Commencement of business relationship	Major products sold
		(in RMB thousands)	*%*		
1	Customer A	18,857,615	51.3	2016	FPC
2	Customer B	3,262,287	8.9	2023	Automotive display
3	Customer C	2,015,190	5.5	2014	Laptop display
4	Customer D	1,194,969	3.3	2016	FPC, RPCB, metal structural component
5	Customer E	792,254	2.2	2018	RPCB

For the year ended December 31, 2023

	Customer	Transaction amount	Percentage of revenue	Year of Commencement of business relationship	Major products sold
		(in RMB thousands)	*%*		
1	Customer A	18,781,202	55.8	2016	FPC
2	Customer B	2,521,128	7.5	2023	Automotive display
3	Customer C	1,514,071	4.5	2014	Laptop display
4	Customer D	1,166,355	3.5	2016	FPC, RPCB, metal structural component
5	Customer F(1)	751,793	2.2	2016	RPCB

Notes:

(1) Customer F is a company specializing in mobile smart technology products and services headquartered in Guangdong, China.

Pricing

We price our products based on various factors, including raw material costs, production overheads, order volumes, delivery requirements, warranty offered, competitors' pricings, prevailing market conditions, payment methods and specification of products requested by customers.

During the Track Record Period and up to the Latest Practicable Date, prices for our products are generally set out in purchase orders or agreed in advance for a relatively long period under the framework agreements we have entered into with our customers. For many of our products, pricing is determined on an order-by-order basis in the relevant purchase orders. For certain of our PCB products, particularly those for consumer and automotive electronics customers, prices are agreed for a longer period and are subject to adjustment mechanisms. Price reviews and adjustments are generally negotiated quarterly or annually, depending on the individual product. Price adjustments are typically triggered by specified cost fluctuation events. Any adjustment is negotiated under the relevant framework agreement terms and takes effect after both parties' confirmation.

For certain LCM and touch panel products that are priced on a relatively long-term basis, prices may be reviewed monthly based on movements in raw material costs, or in some cases, reviewed and adjusted annually. For our precision components with longer-term pricing arrangements, prices are typically reviewed annually or adjusted under the framework agreement's risk sharing mechanism, under which, if raw material costs move beyond an agreed baseline, we renegotiate the acceptance price for the next pricing period under the contract.

According to CIC, pricing for our products generally follows prevailing market trends. While the selling prices of certain products have historically been agreed on a relatively long-term basis, these arrangements have not had a material impact on our gross profit margin.

Arrangement with Our Customers

We generally enter into framework agreements with our key customers that cover the design, manufacturing and sales of products. Our products are highly customized, and the majority of our products are developed solely for the relevant customers. In general, shipments are handled under one of three arrangements: (i) customers collect the products from our factory; (ii) we arrange shipment to a customer-designated location or carrier; or (iii) we arrange shipment up to the point the products are loaded onto the vessel at the port of shipment. Under arrangement (i), customers are responsible for export clearance, while under arrangements (ii) and (iii), we handle export clearance. In each case, the Company assumes responsibility for associated costs and risks up to the specified delivery location, after which the customer assumes responsibility for any further costs and risks. These agreements generally contain the following terms.

Price	:	Pricing of the products is generally specified in purchase orders or predetermined on a relatively long-term basis.
Transfer of risks	:	Risks are generally transferred to customers when the products are delivered to the customer-designated location, unless otherwise specified in the agreement.
Payment and credit terms	:	We generally deliver products to our customers before payment and grant our customers credit periods ranging from 30 days to 90 days.
Minimum purchase requirements	:	Our framework agreements generally do not contain minimum purchase requirements.
Logistics	:	We are generally responsible for delivering products to locations specified by our customers.
Returns/ exchanges	:	Our customers will inspect the products upon delivery and are generally entitled to return or exchange for products that do not meet their requirements in terms of quality or specifications.
Confidentiality	:	These framework agreements usually have strict confidentiality provisions.
Duration, termination and renewal	:	Generally more than one year. Some of these framework agreements do not have fixed terms. These agreements are typically automatically renewed. These framework agreements can be terminated with mutual agreement by parties.

Relationship with Certain Top Customers

During the Track Record Period, Customer A, our top customer in each year during the Track Record Period, contributed to 55.8%, 51.3% and 46.5% of our revenue respectively in 2023, 2024 and 2025, respectively. Our strategic and mutually beneficial relationship with Customer A began over 10 years ago and has grown significantly since our acquisition of MFLEX in 2016, which established us as a leading global supplier of FPCs. Customer A, a global leader in consumer electronics, uses our FPC products to support the development of their high-performance devices, such as smartphones, tablets and wearables.

According to CIC, the consumer electronics market is highly concentrated, particularly among top-tier brands. As a result, suppliers to premium consumer electronics brands often have a concentrated customer base. Over the years, we have been actively involved in the product development of Customer A's signature products, providing critical technological solutions that align with their innovation and functionality requirements. Our proven ability to consistently meet Customer A's stringent standards for quality, performance and timely delivery has established us as a trusted partner in their supply chain.

Going forward, we believe the likelihood of any material adverse change in or termination of our business relationship with Customer A is low because of the long-term, mutually beneficial nature of our relationship and the extensive and rigorous supplier approval and qualification process that Customer A requires, covering aspects such as ESG compliance, corporate governance, and operational standards. This remains the case notwithstanding reports that Customer A would shift the production of certain products from the Chinese Mainland to other countries, primarily because our sales are driven by Customer A's product demand and our ability to meet its specifications and delivery requirements, rather than the geographical location of final assembly. Operationally, our FPC products are shipped to Customer A's designated delivery locations in accordance with the purchase orders. Customer A's contract manufacturers and assemblers are responsible for coordinating downstream assembly and related logistics. As such, changes in the location of final assembly are not expected, in themselves, to adversely affect our performance under Customer A's purchase orders. Furthermore, during the Track Record Period, shipments delivered to manufacturing locations outside the Chinese Mainland (for the avoidance of doubt, excluding special supervision zones) accounted for 9.2%, 14.1% and 15.8%, respectively, of the revenue attributable to Customer A. This proportion has increased steadily, demonstrating our ability to support Customer A's evolving supply chain footprint. Our logistics and supply chain arrangements have been able to accommodate changes in delivery destinations, and we have not incurred material additional costs or experienced material disruption in fulfilling Customer A's orders as a result of changes in production location.

During the Track Record Period and up to the Latest Practicable Date, there were no material incidents of failure to renew the relevant sales agreements with Customer A, or any material reduction, delay or cancellation of orders from Customer A. Having considered the above views on the business relationship with Customer A, nothing has come to the attention of the Directors that would reasonably cause them to cast doubt on the view in any material respect. At the same time, to the best of the Directors' knowledge, none of our other key customers had a material business relationship with Customer A during the Track Record Period and up to the Latest Practicable Date. Accordingly, the Directors consider that such relationships do not have, and are not expected to have, any material impact on our relationship with Customer A.

At the same time, we do not expect recent reports concerning Customer B, regarding, among other things, its plan to reduce its workforce in certain overseas markets and dispose of certain production lines, to have a material adverse impact on the Group. Based on the Company's assessment, our sales to Customer B are driven primarily by Customer B's demand for our products and our ability to meet its specifications and delivery requirements, rather than Customer B's internal headcount or the continued operation of any particular production line. Accordingly, Customer B's restructuring and disposal of specific production lines are not expected, in themselves, to adversely affect our performance under Customer B's purchase orders. Furthermore, revenue from Customer B amounted to RMB2,521.1 million, RMB3,262.3 million and RMB2,809.0 million in 2023, 2024 and 2025, respectively, and we did not experience material disruption in fulfilling Customer B's orders. The Company will continue to monitor Customer B's business developments and procurement plans.

Concentration of Our Customers

During the Track Record Period, sales to our top five customers and our largest customer were relatively concentrated, with the top five customers contributing to 73.5%, 71.0% and 64.4% of our revenue and the top customer contributing to 55.8%, 51.3% and 46.5% of our revenue in 2023, 2024 and 2025, respectively.

We believe that we do not unduly rely on our major customers. As discussed above and according to CIC, the markets in which we operate, including the consumer and automotive electronics markets, are highly concentrated among top-tier brands. As a result, suppliers to premium brands often have a concentrated customer base. Furthermore, the end product design and certification processes require close cooperation with suppliers given the high degree of customization in PCBs, precision components and touch panels and LCMs. At the same time, our customers in the consumer and automotive electronics markets benefit from high-quality products that enhance product performance, reliability and integration. Accordingly, leading brands maintain stable, long-term relationships with certified suppliers capable of delivering at scale. Based on these industry characteristics and our track record of certifications, we believe our relationships with major downstream customers are mutually beneficial and durable, and the likelihood of any material adverse change in the near term is low.

Customer Diversification

To mitigate concentration risk and reduce reliance on any single customer, we have been focusing on expanding our customer base and our product portfolio and expanding vertically along the value chain. While we expect Customer A to remain our significant customer and to continue to be an important customer going forward, we expect our revenue base to become increasingly diversified as we continue to implement the measures described below.

With respect to customer diversification, we have broadened our customer base and increased sales to key non-Customer A customers across our businesses lines. During the Track Record Period, we continued to add new customers and deepen relationships across a range of end markets, including consumer electronics and emerging applications such as battery and energy storage system ("ESS") markets. As a result, revenue from these initiatives increased over time. We also continued to expand our product portfolio and customer coverage in other markets through ongoing customer development efforts in LCM and touch panel products and precision components, including our self-developed in-vehicle display products and other products for automakers.

In addition, our vertical expansion along the value chain has strengthened our ability to capture market opportunities and attract new customers, thereby further diversifying our revenue sources. By combining our PCB expertise with our capabilities in optical chips and optical transceivers through Source Photonics, we have built integrated high-speed transmission capabilities that support the expansion of AI infrastructure, covering AI PCB, high-speed optical chips and optical transceivers. As we continue to scale these capabilities and expand our offerings, we expect to further broaden our customer base and reduce our reliance on any single customer over time.

Customer Service

We work closely with our customers throughout stages of product design, development, and manufacturing, aiming to deliver services and products that meet their expectations. In particular, we maintain frequent and proactive communication with customers during the design and development phase. Throughout this process, we actively solicit and incorporate customer feedback to strengthen their experience and ensure a high level of satisfaction with our offerings.

SEASONALITY

Demand for and sales of our products are linked to the seasonality of their respective end products and markets. For products used in consumer electronics, we typically experience higher sales in the second half of the year due to the synchronized launch cycles of new devices and the heightened purchasing activity associated with the holiday season. For products used in the automobile, data center and AI computing and telecommunications equipment, seasonality is less pronounced, often characterized by more stable, project-driven demand patterns throughout the year. These seasonal patterns influence the overall volume and timing of our business activities. For further details on risks associated with seasonality. See "Risk Factors — Risks Relating to Our Business and Industry — Our sales may be influenced by seasonality."

SUPPLY CHAIN

Raw Materials

The main raw materials used in our PCB products mainly consist of copper foil, copper-clad laminates, and chemical reagents for copper anodes. The main raw materials used in our precision components mainly consist of high-grade aluminum alloys, copper alloys, high-flexibility and high-strength steel, engineered plastics/polymers, and thermal interface materials. The main raw materials used in our touch panels and LCMs mainly consist of cover glass, touch sensor, TFT-LCD open cell, back light unit and OCA/OCR. The main raw materials used in our optical transceiver products mainly consist of optical fibers, laser diodes, photodiodes, optical connectors and ceramic ferrules.

We mainly source raw materials from the Chinese mainland. Our raw material prices fluctuate due to a variety of factors, including supply and demand dynamics, our ability to negotiate prices with suppliers and others. We usually work with multiple suppliers to reduce risks associated with product supply. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Our Suppliers

Our suppliers are mainly suppliers of raw materials and equipment. We have established and maintain stable and long-term relationships with these major suppliers.

Selection and Management of Suppliers

We have established rigorous processes for the selection, evaluation and management of our suppliers to ensure suppliers meet our quality and performance standards. We consider a number of factors during our supplier selection and qualification process, such as the supplier's industry reputation, technical capabilities, delivery performance and the price and quality of the products or raw materials they offer and we also conduct on-site visits.

We regularly evaluate our collaboration of our suppliers, focusing on criteria such as quality, price and delivery of products supplied by them and their compliance with our policies and requirements, including our policies on occupational safety and corporate social responsibility.

Arrangement with our Suppliers

We typically enter into framework agreements with major suppliers of raw materials, with the price, quantity and specifications of the raw materials specified in individual purchase orders. The major terms of the long-term framework agreements we enter into with our suppliers generally include the following:

Purchase order	:	We generally place purchase orders with suppliers in writing, specifying the type, specification, unit price, quantity and delivery schedule.
Price	:	Generally, the price shall be determined according to the applicable purchase order. Certain of our framework agreements allow pricing adjustments. In general, pricing adjustments are primarily driven by changes in major input costs and market conditions, including (i) fluctuations in prices of key raw materials and commodities as referenced by publicly available indices and platforms, (ii) prevailing competitive and demand conditions, and to a lesser extent, (iii) changes in order volumes, product specifications and delivery requirements. Depending on the arrangement, prices may be reviewed and

		adjusted on a periodic basis, typically upon the occurrence of agreed triggers, such as significant movements in relevant commodity prices. Our procurement department monitors major commodity price movements on an ongoing basis and track relevant international trade developments on a regular basis to support internal pricing and negotiation decisions.
Inspection and product returns	:	Upon completion of the services, we shall have the right to inspect and accept the deliverables. If the deliverables are found during inspection not to meet our requirements, we may reject them and require suppliers to make necessary corrections at their own cost. Where applicable, suppliers shall provide a minimum one-year quality warranty period for the materials and deliverables provided.
Payment and credit terms	:	Upon acceptance of the services by us and within 30 to 90 days after receipt by us of suppliers' valid invoice, we shall pay suppliers the service fees.
Confidentiality	:	We usually set confidentiality clauses with our suppliers and such obligations may continue to exist for a certain period of time after termination of the agreement.
Termination	:	We generally have the right to terminate the contract or any order at any time by giving suppliers fifteen days' prior written notice.

Major Suppliers

In 2023, 2024 and 2025, purchases from our five largest suppliers amounted to RMB5,975.4 million, RMB6,214.4 million and RMB5,737.5 million, accounting for 25.8%, 26.1% and 21.9% of our total purchases in the respective years. In 2023, 2024 and 2025, purchases from our largest supplier amounted to RMB2,034.5 million, RMB1,674.4 million and RMB1,463.8 million, accounting for 8.8%, 7.0% and 5.6% of our total purchases in the respective years. During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest suppliers in any period during the Track Record Period that are required to be disclosed under the Listing Rules.

Overlapping Customers and Suppliers

During the Track Record Period, certain of our top five customers were also our suppliers, and certain of our top five suppliers were also our customers, details of which are explained below.

During the Track Record Period, Customer A, our largest customer in each of 2023, 2024 and 2025, was also one of our five largest suppliers in the same years. Customer B, one of our top five customers in 2023, 2024 and 2025, was one of our five largest suppliers in the same years. Customer C, one of our top five customers in each of 2023, 2024 and 2025, was one of our five largest suppliers in the same years.

Customers A, B and C require suppliers, including us, to procure designated raw materials and components for their products from approved upstream vendors, including, in some cases, the customers themselves. This is commonly referred to in the industry as the buy-and-sell model, which enables tighter control over procurement, confidentiality, quality, cost and delivery lead times. We primarily sold FPCs to Customer A, while our purchases from Customer A mainly comprised structural parts. We primarily sold LCD/OLED modules and touch display modules for automobile to Customer B, while our purchases from Customer B mainly comprised LCD panels and display ICs used in those products. We primarily sold touch panels and LCD and OLED modules to Customer C, while our purchases from Customer C mainly comprised display structural parts.

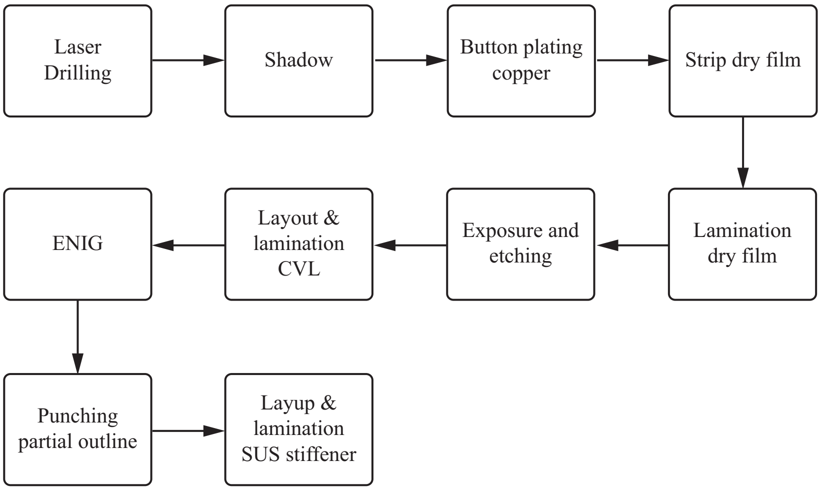
According to CIC, it is in line with industry practice for a company to have both sales to and purchases from the same customer/supplier, and the adoption of the buy-and-sell model is not a definitive determinant of pricing within the precision manufacturing industry.

PRODUCTION AND MANUFACTURING

We manufacture products in our production centers located in the Chinese mainland and overseas, ensuring the timely delivery of high-quality products across various categories to meet customer demands. These production centers are strategically situated near our customers or their suppliers, helping to reduce logistics costs effectively. By incorporating intelligent manufacturing technologies into multiple aspects of our operations, we have significantly enhanced production efficiency and product yields, allowing us to consistently achieve our performance and quality objectives.

Production Process

FPC



- *Laser Drilling.* Laser is used to form through, blind or microvias in the polyimide and copper, and followed by desmear or plasma cleaning to ensure reliable interlayer connection.

- *Shadow.* A conductive layer of carbon/graphite or Pd/Sn catalyst is deposited on the cleaned via walls to enable subsequent copper deposition and establish layer-to-layer conduction.

- *Button plating copper.* Electrolytic copper is plated to thicken via walls and required surface features to the specified thickness, producing low-stress, uniform interconnects.

- *Strip dry film*. Strip is to remove the exposed dry film on copper surface.

- *Lamination dry film*. Dry film is the carrier of the graphic transfer, which is the medium to transfer design data to copper surface, in order to prepare for pattern.

- *Exposure and etching*. The laminated dry film undergoes exposure to induce polymerization in the circuit pattern areas, followed by development to remove unpolymerized film. Subsequent etching removes copper from the developed areas, forming precise circuit patterns.

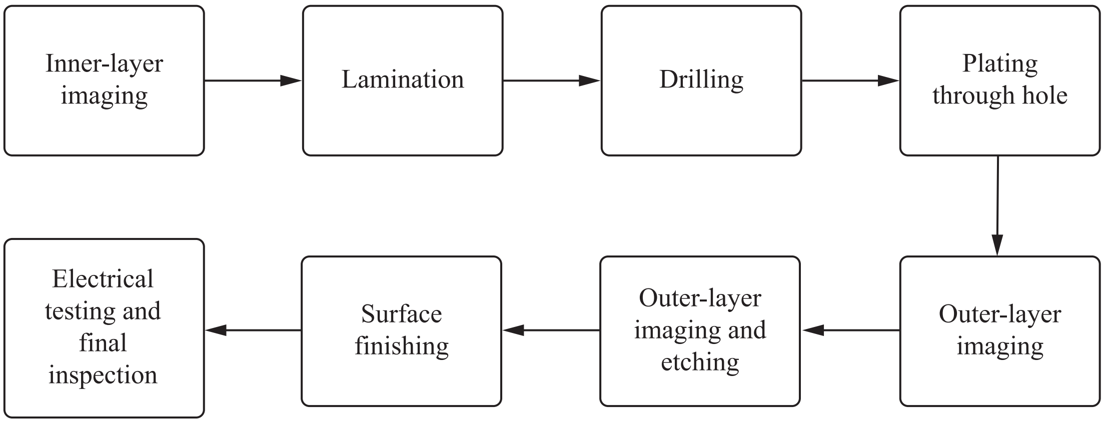
- *Layout & lamination CVL.* The coverlay windows are created, then the coverlay is aligned and vacuum laminated at high temperature and pressure, so the adhesive fills trace valleys and protects the copper without flooding pads.

- *ENIG.* Electroless nickel immersion gold is applied to the exposed copper pads with controlled Ni and Au thickness to provide solderable, corrosion-resistant terminations.

- *Punching partial outline.* Partial outlines or relief features are punched or laser routed to aid later singulation while retaining panel rigidity with tie bars.

- *Layup & lamination SUS stiffener.* Stainless steel stiffeners are positioned and laminated onto designated areas using heat and pressure (or PSA/epoxy) to provide mechanical support and assembly stability.

RPCB



- *Inner-layer imaging.* Copper-clad laminates are precision-cut to specified panel dimensions. Photolithographic processes transfer circuit patterns to inner layers, with subsequent etching to form copper traces.

- *Lamination.* Patterned inner layers are laminated with prepregs under high temperature and pressure to form a stable multi-layer structure.

- *Drilling.* Vias are drilled via mechanical or laser-based methods. A desmear process eliminates residual debris and conditions via walls for subsequent metallization.

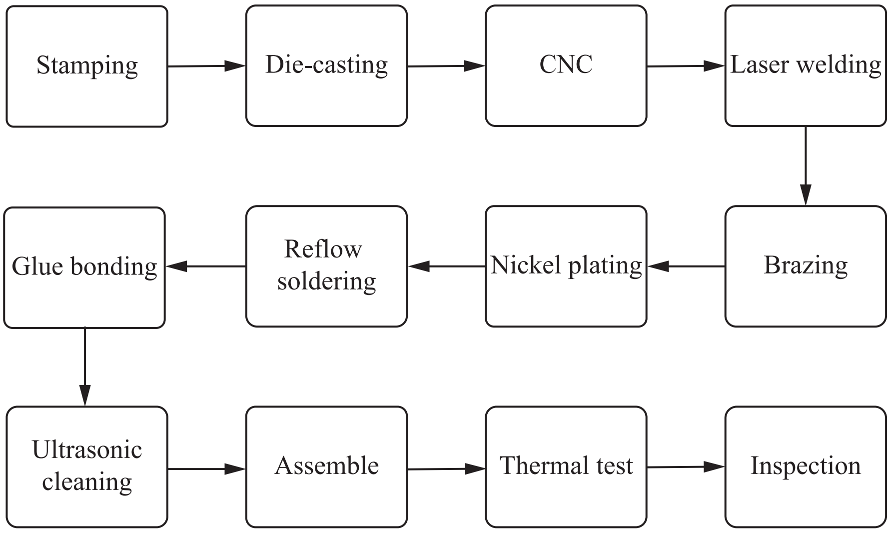
- *Plating through hole*. Electroless copper is deposited onto via walls, with subsequent electroplating to form robust conductive interconnections between layers.

- *Outer-layer imaging and etching*. Photolithographic techniques define outer-layer circuit patterns, which are then etched to form the final copper layout.

- *Surface finishing*. Copper conductors are subjected to micro-etching for oxide and contaminant removal to deposit a uniform solder layer.

- *Electrical testing and final inspection*. Boards undergo electrical testing to detect shorts and opens and are inspected to confirm dimensional precision and compliance with quality standards.

Liquid Cold Plate



- *Stamping.* This process uses specialized dies to apply pressure on metal sheets, shaping them into preliminary workpieces with predefined contours.

- *Die-casting.* Molten metal is injected into custom-designed molds under high pressure, then cooled and solidified to form metal components with complex geometries.

- *CNC.* CNC machines are programmed to perform precision machining operations such as milling, drilling, and turning on workpieces.

- *Laser welding.* A high-energy laser beam is used to melt the interfaces of workpieces, fusing them together.

- *Brazing.* A filler metal with a lower melting point than the base material is heated to join workpieces.

- *Nickel plating*. A layer of nickel is electroplated onto the workpiece surface to enhance corrosion resistance, wear resistance and electrical conductivity.

- *Reflow soldering*. Solder paste applied to component pads is heated in a controlled temperature oven, melting and reflowing to form reliable electrical and mechanical connections between electronic components and substrates.

- *Glue bonding*. Industrial adhesives are used to bond non-metallic parts or metal-non-metal assemblies. Curing time and adhesive type are selected based on material compatibility and structural requirements.

- *Ultrasonic cleaning.* High-frequency ultrasonic vibrations generate micro-bubbles in cleaning fluid, which implode to remove oil, debris and residual flux from workpiece surfaces.

- *Assemble.* Processed components are assembled into finished products or semi-finished products according to design drawings, using specialized jigs and fixtures to ensure assembly accuracy and consistency.

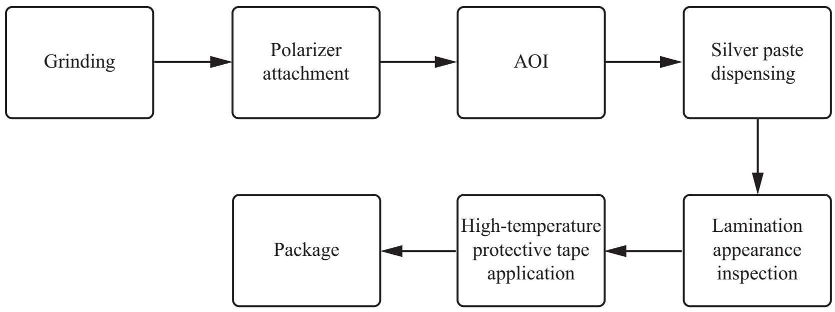
- *Thermal test.* Finished products are subjected to simulated operating temperature environments to evaluate their thermal stability and performance under extreme temperature conditions.

- *Inspection*. Comprehensive quality checks are conducted on finished products, including dimensional measurement, visual inspection and functional testing.

- *Functional inspection*. Assembled products undergo systematic functional testing using specialized equipment and testing protocols, verifying key performance indicators.

- *Package*. Qualified mobile communication antenna are packed before delivery.

LCM



- *Grinding*. LCD glass substrates undergo precision grinding to smooth edges, eliminate burrs and achieve uniform thickness. This process ensures compliance with strict dimensional tolerances required for automotive display assemblies.

- *Polarizer attachment*. Automotive-grade polarizing films are laminated onto LCD panel surfaces using high-precision alignment equipment.

- *AOI*. It uses high-resolution cameras and image analysis algorithms to inspect the surface of workpieces. They detect surface defects and dimensional deviations, enabling fast, consistent quality screening at scale.

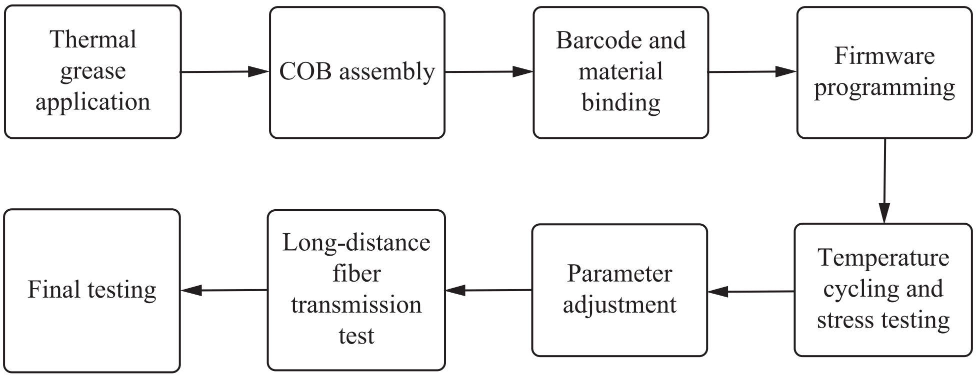
- *Silver paste dispensing*. Conductive silver paste is dispensed onto electrode pads via automated jetting systems, with volume control precision to ensure reliable electrical conductivity between the LCD panel.

- *Lamination appearance inspection*. Dual-stage inspection verifies lamination integrity, checking for paste overflow, misalignment, or particulate contamination.

- *High-temperature protective tape application*. Silicone-based high-temperature protective tape is applied to panel edges and contact zones, shielding critical components from thermal damage during subsequent reflow soldering and preventing scratches in downstream assembly.

- *Package*. Qualified automotive LCD products are packed before delivery.

Optical Transceiver



- *Thermal grease application*. Thermal grease is dispensed onto the internal structure components using an automated dispenser. The grease conducts heat from the chip-on-board to the metal housing.

- *COB assembly*. The COB is placed into the greased structural components, assembled together with support rods and secured by installing cover plates and fastening screws.

- *Barcode and material binding*. The COB's QR code is linked to the barcode on the structural component and additional materials such as springs and screws are also tracked via bonded identification codes.

- *Firmware programming*. Firmware and other required information are programmed into the optical module.

- *Temperature cycling and stress testing*. Modules undergo high-low temperature cycling. Modules are powered on and operate in high-power mode continuously at 70°C to verify operational stability under stress.

- *Parameter adjustment*. Module parameters are fine-tuned through internal registers to ensure that the transmitter and receiver performance meet customer requirements.

- *Long-distance fiber transmission test*. Modules are subjected to long-distance optical fiber transmission tests to confirm performance integrity over extended links.

- *Final testing*. Modules undergo comprehensive final testing to verify that all technical parameters are met.

Production Facilities

As of December 31, 2025, we had production facilities in the Chinese mainland, Thailand, the United States and Mexico. We are actively expanding new production lines and facilities globally, with a particular emphasis on adding high-layer-count PCB. Our diversified footprint enables us to serve local markets more effectively, navigate complex trade environments and reduce logistics and delivery costs. The following table sets forth certain information regarding our major production centers as of December 31, 2025.

Production facility	Year established	Primary product	Business segment	Total gross floor area (m^2)
Yancheng, PRC	2017	PCB, automotive component	Electronic circuit, precision component	841,686
Suzhou, PRC	1998	PCB, automotive component, automotive displays	Electronic circuit, precision component, touch panel and LCM	584,592
Chon Buri, Thailand	2023	PCB	Electronic circuit	155,976

Production facility	Year established	Primary product	Business segment	Total gross floor area (m^2)
Zhuhai, PRC	1992	PCB	Electronic circuit	196,063
California, United States	2023	Automotive component	Precision component	24,967
Dongguan, PRC	2013	Telecommunications equipment component	Precision component	21,970
Monterrey, Mexico	2022	Automotive component	Precision component	13,818
Chengdu, PRC	2001	Telecommunication transceiver	Optical transceiver	32,782
Changzhou, PRC	2017	Telecommunication transceiver	Optical transceiver	30,084
Taiwan	1996	Telecommunication transceiver	Optical transceiver	27,345
Kunshan, PRC	2006	Automotive component	Precision component	3,107
Germany	2011	Automotive component	Precision component	24,704
France	1962	Automotive component	Precision component	201,445
Czech Republic	2020	Automotive component	Precision component	12,416
Morocco	2015	Automotive component	Precision component	56,968
Mexico	2018	Automotive component	Precision component	8,228
Portugal	2015	Automotive component	Precision component	44,494
Slovakia	1998	Automotive component	Precision component	34,258
Türkiye	2023	Automotive component	Precision component	5,550
Spain	2014	Automotive component	Precision component	3,305
Hungary	2005	Automotive component	Precision component	443,862

Set forth below are photos of our production centers.




The following table sets forth the production capacity and utilization rate for our main products for the periods indicated.

Product Category[3]	Year ended December 31,					
	2023		2024		2025	
	Capacity ('000 sq. m./unit)	*Utilization %*	*Capacity ('000 sq. m./unit)*	*Utilization %*	*Capacity ('000 sq. m./unit)*	*Utilization %*
Electronic circuit	**5,495**	**71.9**	**7,150**	**78.0**	**8,488**	**82.2**
FPC	3,975	71.6	5,480	79.7	6,784	79.3
RPCB	1,330	77.8	1,480	77.6	1,604	94.4
Rigid-Flex	190	37.7	190	34.3	100	86.6
Precision component	**150,000**	**71.2**	**200,000**	**71.8**	**334,545**	**57.0**
Automotive component	140,500	72.7	190,500	72.9	325,045	57.6
Telecommunications equipment components	9,500	49.3	9,500	49.5	9,500	36.9
Touch panel and LCM	**59,800**	**44.2**	**53,000**	**58.7**	**53,000**	**51.8**
Touch panel	14,500	28.4	12,000	38.0	12,000	45.1
LCD & OLED module	45,300	49.2	41,000	64.8	41,000	53.7
Optical transceiver[5]	**N/A[6]**	**N/A**	**N/A**	**N/A**	**3,354**	**85.7**
Data center transceiver	N/A	N/A	N/A	N/A	1,152	83.1
Telecommunications transceiver	N/A	N/A	N/A	N/A	2,202	87.0

Notes:

(1) Production capacity assumptions for our products are based on each business line's operating schedule, depending on its working hours and working days.
(3) Production capacity is measured using the following units for each product category: PCBs are measured in square meters (m²), representing the total area of PCB products produced; precision components, touch panels and LCMs and optical transceivers are measured in units, representing the total number of finished components or assemblies.
(4) Utilization rate is calculated by dividing the actual number of units produced in the year by the production capacity of the year.
(5) Production capacity and utilization rate of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements on October, 2025.
(6) "N/A" indicates not applicable, as Source Photonics was consolidated into the Group since October 1, 2025.

During the Track Record Period, the utilization rates of certain segment or production line decreased, most notably within in our precision component segment, primarily due to softer demand for telecommunications equipment components. We strategically scaled back this business in response to a slowdown in global 5G infrastructure spending and sourcing shifts by certain overseas customers away from China due to supply chain considerations. As a result, production volumes for telecommunications equipment components declined and capacity was not fully utilized, leading to lower utilization rates in this segment.

In addition, our disclosed production capacity is determined based on assumptions of full utilization of available equipment time, including relatively high assumptions on working hours and working days. In practice, we may from time to time arrange production based on order mix and operational scheduling, including adjusting shift patterns, operating hours and working days, as well as undertaking routine maintenance, changeovers and production line balancing. As a result, actual output in a given period may be lower than the theoretical capacity calculated under such assumptions, which may result in relatively lower utilization rates.

Source Photonics has production facilities in Taiwan, Changzhou and Chengdu. The following table sets forth the production capacity and utilization rate for Source Photonics' products for the periods indicated.

Product Category	Year ended December 31,				Nine months ended September 30,	
	2023		2024		2025	
	Capacity[(1)] ('000 unit)	*Utilization[(2)] %*	*Capacity ('000 unit)*	*Utilization %*	*Capacity ('000 unit)*	*Utilization %*
Data center transceiver	291	84.9	1,447	86.6	2,745	86.2
Telecommunications transceiver	6,024	64.5	6,455	67.4	6,158	84.0

Notes:

(1) Production capacity assumptions for the products are based on each business line's operating schedule, depending on its working hours and working days.
(2) Utilization rate is calculated by dividing the actual number of units produced in the period by the production capacity of the period.

Intelligent Manufacturing

We have successfully integrated intelligent manufacturing across multiple aspects of our production processes for different products, leading to significant improvements in efficiency, product yields and overall operational performance. Our intelligent manufacturing system incorporates automated production, automated logistics and digitized management. They enable us to achieve competitive production yields, ensure the timely fulfillment of customer orders, and reduce production costs. Key aspects of our intelligent manufacturing include:

Process Automation

We've implemented extensive process automation across our production lines, integrating connected equipment, system-level orchestration and dynamic scheduling. Our fully automated test lines use advanced machine vision to optimize SMT processes, reduce labor requirements and continuously improve production cycle efficiency. In quality control, an AI-driven vision system creates a loop of detection, analysis and optimization, improving automated defect detection. We have also upgraded production management with centralized control centers that coordinate shop floor operations, enhancing the standardization of site management and workers' safety.

Intelligent Warehousing

Our warehousing operations are driven by digital and automated systems that ensure real-time data exchange with our manufacturing and logistics. Our efficient inventory management, automated material handling and flexible warehouse scheduling have improved throughput, accuracy, and cost efficiency throughout our supply chain.

We have implemented a combined WMS and WCS to strengthen inventory control, automate material handling and support the efficient scheduling and routing of warehouse activities. This system has enhanced our throughput, inventory accuracy and supply chain efficiency. In addition, our EAM system enables centralized management and maintenance of key assets across warehousing and production facilities. By facilitating real-time monitoring and scheduled maintenance of equipment, the EAM system promotes operational reliability and reduces unplanned downtime and contributes to the overall effectiveness of our supply chain management. Through continuous process optimization, we remain at the forefront of intelligent manufacturing, enhancing the production efficiency and quality of products to customers worldwide.

Production Planning

We typically plan our production on a monthly basis based on the forecasted demand of our customers and the anticipated market trends. We continuously review our production plans and utilization rates and update our production plans at least on a weekly basis, or more frequently, on a daily basis if required, pursuant to the utilization rate of our factories in the preceding week and the rolling forecasts of customer orders and expected utilization rates. We also strategically plan our production in advance to prepare for seasonal increases in customer orders.

Equipment and Machinery

Major equipment and machinery used in our production processes include: (i) laser drilling machine, pressing machine, etching machine and plating lines for our PCB products; (ii) high-speed optical alignment machines, AOI equipment, fiber splicing tools, wire bonding machines, and electrical/optical functional testers for our optical transceivers; (iii) ANEX-150 high-speed precision press, 8,200-ton stamping line, UBE die casting machine and HPC650 horizontal machining center for our precision components; and (iv) automated laminators, vacuum laminating machines, screen printing machines, ACF attach equipment and hot presses for our touch panels and LCMs.

We generally purchase the equipment from qualified suppliers. We work with and require our suppliers to provide equipment that meets our requirements and quality standards. We regularly inspect and maintain the material equipment and machinery used in our production processes and replace worn consumable parts and components. Our major production equipment and machinery have an estimated average useful life of approximately 5-10 years.

Inventory Management

Our inventories mainly include raw materials, work-in-progress, finished goods and goods in transit. Based on our forecasted orders, we conducts a monthly check and update of our inventory level and plans our procurement accordingly. We generally maintain raw materials inventory for planned production activities. We also conduct inventory aging analysis periodically to reduce the risk of inventory obsolescence and employ our warehousing system to track and manage our inventory aging status.

As of December 31, 2023, 2024 and 2025, our inventories amounted to RMB6,293.9 million, RMB6,152.7 million and RMB8,928.9 million, and our inventory turnover days in 2023, 2024 and 2025 are 77 days, 69 days and 70 days.

Logistics

Our products are usually stored in our own warehouses located in our production centers before they are delivered to our customers. We primarily use third-party logistics service providers for the delivery of finished goods from our production centers and warehouses to locations specified by our customers. We set strict standards for the transportation of our products that these third-party logistics service providers are required to follow, and we evaluate the third-party logistics service providers periodically on their performance and compliance with our requirements to ensure smooth delivery of products to customers. We usually enter into agreements with our logistics service providers on a biennial basis. Our logistics service providers bear the risks associated with the transportation of our products.

WARRANTY, PRODUCT RETURN AND AFTER SALES SERVICES

Our warranty periods generally range from 0.5 to 7 years for our PCBs, 2 to 3 years for optical transceivers, 1.5 to 3 years for touch panel and LCM products for consumer electronics, 3 to 5 years for automotive components. For certain PCB and precision component products, no warranty is provided. According to CIC, this is in line with prevailing industry practice. Our warranties cover replacement or return of products if they do not meet the contractually agreed standards, including drawings, specifications and the Company's standards. We make provisions for warranties based on our best estimate of the expected claims under our sales agreements. In 2023, 2024 and 2025, we recorded warranty provisions of RMB30.2 million, RMB30.5 million and RMB21.4 million, respectively.

We have devised a standard operating procedure for customer service. We collect and record customer feedback and complaints from different channels and make timely responses in order to achieve customer satisfaction.

We accept returns of our products for defects. We believe our return policy is consistent with the relevant PRC laws and regulations governing product quality and consumer rights and interests. We have not received any requests for returns during the Track Record Period which individually or in aggregate had a material adverse effect on our business and financial condition. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any product recall that adversely impacted on our reputation, business operations or financial condition.

QUALITY CONTROL

We believe that product quality is the cornerstone of our business operations and sustainable growth. We are committed to delivering products that meet the highest industry standards and exceeding customer expectations. Our comprehensive quality control and quality assurance systems are integrated into every stage of our production process, ensuring consistent and reliable production and delivery of high-quality products.

We have established a quality management system certified under ISO 9001:2015 and IATF 16949:2016. In addition, we have obtained other internationally recognized certifications, including IECQ QC 080000:2017, ISO 14001:2015, ISO 27001:2022, ANSI/ESD S20.20:2021, TISAX Level 3, ISO 45001:2018 and ISO 50001:2018. We conduct regular internal audits and management reviews of our quality control systems to promptly identify and address potential issues, ensuring continuous improvement and refinement of our quality control systems. To ensure product quality, we have a quality control department dedicated to implementing quality control measures throughout the entire production cycle, including raw material inspection, in-process quality control and final product inspection.

Our quality control procedures and processes cover our entire production process to ensure that our product quality meets the expectations and imposes requirements after each critical process. Yield rate is the critical indicator we monitor during each of our critical production processes.

INTELLECTUAL PROPERTY

Our research and development efforts have produced 899 patents, 66 registered trademarks, 172 software copyrights and seven domain names and one copyright as of December 31, 2025 based on the intellectual property held by the Company and its major PRC subsidiaries in the Chinese mainland. See "Appendix IV—Statutory and General Information — Further Information about the Business — Intellectual Property." These intellectual properties cover our production processes as well as the design of our products.

We rely on a combination of intellectual property protection laws and contractual arrangements (including confidentiality provisions) to establish and protect our proprietary technologies, know-how and other intellectual property rights. Our subsidiaries, organized by business line, are primarily responsible for protecting our intellectual property in their respective areas. We proactively manage and expand our intellectual property portfolio and use confidentiality and non-compete agreements to protect our intellectual property and trade secrets.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material infringement of our intellectual property rights. Neither our Group nor any of our intellectual properties was the subject of, or to the best of the Directors' knowledge, is expected to be subject to, any disputes or litigation in relation to the infringement of any intellectual property rights during the Track Record Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

ESG is integral to our strategy and daily operations as part of our sustainable growth efforts. We have adopted a set of ESG policies and identified a number of material ESG issues that are closely related to our business, including product quality and safety, business ethics and anti-corruption, information security and privacy protection, labor and human rights management, climate change response and sustainable supply chain management. In response to these issues, we have formulated corresponding policies and systems and strengthened the management of metrics and targets to ensure stable and compliant business operations. During the Track Record Period and up to the Latest Practicable Date, we were in compliance with the relevant laws and regulations in all material respects in the jurisdictions where we operate, and we were not subject to any material claims, penalties or incidents arising from non-compliance with ESG-related laws and regulations.

ESG Governance Structure

We have established a comprehensive ESG governance framework to continuously strengthen ESG management and implementation. Our Board is ultimately responsible for ESG matters, with its Strategy and ESG Committee providing assistance, guidance and monitor for those matters. Our Board is primarily responsible for (i) reviewing and approving ESG strategic plans, objectives and policies, as well as making decisions on material matters relating to sustainable development; (ii) assessing ESG-related risks and opportunities, as well as the adaptability of our strategies and business models to sustainability-related impacts, risks and opportunities; and (iii) supervising, evaluating and reviewing the progress of ESG targets. We have established the Sustainability Management Committee at the management level to coordinate the day-to-day management and information disclosure. The ESG Working Group is responsible for executing ESG work plans and conducting regular reviews and progress reporting of ESG targets.

ESG Risk Identification, Assessment and Response Summary

We continuously enhance our risk management system and improve our materiality assessment process to systematically identify, assess, manage and monitor ESG-related risks and opportunities. We have identified certain material issues relevant to our operations and formulated corresponding measures to address them, which primarily include the following:

Material Issues	Analysis of Risks and Opportunities	Response Measures
Response to Climate Change	Physical and transition risks arising from climate change may lead to asset losses, increased costs and changes in market preferences; meanwhile, green transition and evolving market demands create opportunities for new product solutions.	We seek to adopt new technologies, processes and materials in a timely manner, actively deploy low-carbon technologies and more environmentally friendly products and set emission reduction targets and strategies to enhance our green competitiveness.
Emission and Waste Management	Inadequate emission and waste management will lead to environmental pollution. The increasingly stringent hazardous waste management standards and regulatory requirements have raised companies' compliance and operational costs. Promoting the circular economy will help companies reduce long-term costs, enhance efficiency and build compliance advantages.	We will continuously improve the emission and waste management and control procedures, establish a full-process electronic ledger, implement source control and strengthen monitoring to ensure compliance with emission standards; we will also actively explore pathways for emission and waste reduction, and steadily increase the comprehensive utilization rate of solid waste.
Product Quality and Safety	Failure to manage design and R&D risks, production process risks and compliance risks effectively may result in regulatory non-compliance or market access challenges.	We integrate stringent standards across the entire business chain from product design, R&D, procurement and production to sales and after-sales service. We leverage our intelligent manufacturing system to achieve efficient and precise quality control.
Labor Management	Risk of inadequate occupational health and safety conditions may lead to compliance risks and higher employee turnover.	We strictly comply with international human rights standards and applicable laws and regulations in the jurisdictions where we operate, establish sound labor

Material Issues	Analysis of Risks and Opportunities	Response Measures
		and human rights management procedures and strengthen relevant training and inspections.
Sustainable Supply Chain	Risks such as raw material shortages, rising costs, delivery delays and conflict minerals may affect business continuity and market competitiveness; strengthening supply chain collaboration supports technological adoption and corporate transformation.	We establish a supplier management system incorporating ESG considerations into supplier admission, procurement and evaluation processes, conducting regular supplier reviews, providing feedback and improvement support.
Business Ethics and Anti-corruption	Ineffective management of anti-fraud, anti-bribery, fair competition and anti-monopoly practices may lead to significant economic costs, business risks and reputational impact.	We extend business ethics and anti-corruption requirements to our Board members, all employees and our supply chain, conduct regular business ethics audits and training and enhance whistleblowing management processes.

Environmental Indicators and Management

Environmental Management

We strictly comply with the Environmental Protection Law of the PRC and other applicable laws and regulations and have established internal policies such as the EHS Management System and the EHS System Management Standards. We continue to improve the system by enhanced monitoring, audits and training, with targets of zero environmental incidents, full emissions compliance and continuous carbon reduction to ensure effective implementation. As of December 31, 2025, our major production facilities had obtained ISO 14001 environmental management system certifications. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material administrative penalties imposed by environmental authorities for violations of environmental protection laws, regulations or related requirements.

Indicator	Targets	Measures
Air emissions management	• 100% compliance rate for air emissions • With 2024 as the base year, a 5% reduction in particulate matter (PM) emission intensity and a 5% reduction in volatile organic compounds (VOCs) emission intensity by 2030	• Continuously optimize environmental protection treatment processes, strengthen the upgrading and renovation of air-emission control systems and gradually increase the pollutant removal rate to over 90%
Waste management	• 100% compliance rate for the disposal of hazardous and non-hazardous waste • With 2024 as the base year, a 3% reduction in solid waste	• Continuously improve process technologies to reduce solid waste generation at the source

Indicator	Targets	Measures
	generation intensity and a solid waste comprehensive utilization rate of over 85% by 2030	• Gradually expand the coverage of UL 2799 Zero Waste to Landfill certification to enhance the comprehensive utilization rate of solid waste
Energy management	• With 2024 as the base year, a 6% reduction in electricity consumption intensity by 2030	• All newly procured equipment shall meet at least the Grade 2 energy efficiency standard • Strengthen energy management in accordance with ISO 50001, and optimize energy usage strategies by establishing an intelligent energy online monitoring system and installing interlocking start-stop devices
Water resource management	• With 2024 as the base year, a 5% reduction in water consumption intensity by 2030	• Conduct water balance analysis, deploy water-saving facilities such as closed cooling towers, and strengthen the intelligent management of water resources • Actively promote water recycling technologies
Greenhouse gas emission reduction	• With 2024 as the base year, an 8% reduction in GHG emission intensity (Scope 1 and Scope 2) by 2030	• On the basis of strengthening energy management and energy conservation and emission reduction, steadily increase the proportion of clean energy utilization through measures such as photovoltaic power generation and green power procurement to reduce GHG emissions • Gradually expand the coverage of certifications such as "Near-Zero Carbon Factory" and "Green Factory"

Emissions

We comply with the Prevention and Control of Water Pollution Law of the PRC, Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC and other relevant laws, regulations and local discharge standards. We have established comprehensive control procedures for exhaust gas, wastewater, solid waste and noise across all business units, with a focus on source control and regular monitoring to ensure compliance. Meanwhile, we have been adhering to the principles of "reduction, recycling and harmless treatment" and actively exploring various way to reduce emissions and waste. Our subsidiary, MFLEX Suzhou, has obtained the UL 2799 Zero Waste to Landfill Platinum Level certification.

The emission and waste generation data during the Track Record Period are as follows:

Classification	Unit	Year ended December 31,		
		2023	2024	2025
Volatile Organic Compounds (VOCs) Emissions	tonnes	23.07	24.25	14.41
VOCs Emission Density	tonnes/RMB million revenue	0.0007	0.0007	0.0004[(1)]
Particulate Matter (PM) Emissions	tonnes	4.57	8.94	12.57
PM Emission Density	tonnes/RMB million revenue	0.0001	0.0002	0.0003[(2)]
Non-hazardous Waste	tonnes	26,283.18	41,554.93	38,506.07
Non-hazardous Waste Density	tonnes/RMB million revenue	0.78	1.13[(3)]	0.96
Hazardous Waste	tonnes	24,484.55	31,851.18[(4)]	35,506.72
Hazardous Waste Density	tonnes/RMB million revenue	0.73	0.87	0.88

Notes:

(1) (2) In 2025, the statistical scope was expanded to include Source Photonics (October–December 2025). Meanwhile, affected by product structure optimization and capacity expansion in certain business segments, the data exhibited reasonable fluctuations in line with business changes.

(3) With the continuous improvement of our environmental management system, the statistical process for non-hazardous waste data at each production facility has become more standardized and comprehensive in scope.

(4) In 2024, certain business segments of ours expanded production capacity, and due to the upgrade and renovation of pollution control facilities in early 2024, a small amount of hazardous waste originally deposited on the inner walls of the equipment was thoroughly cleaned up and recorded in the 2024 waste transfer manifests in accordance with applicable regulations resulting in a moderate year-on-year increase in the total volume and density of hazardous waste.

Resource Consumption

Energy Management

In accordance with the requirements of the ISO 50001 energy management system, we have been gradually improving the energy management framework across our business segments by formulating energy management procedures and targets and by establishing monitoring and evaluation systems for energy conservation and emission reduction. We continue to promote energy efficiency from management measures, technological upgrades and energy structure optimization.

Water Resource Management

We have formulated standardized policies such as Water Resource Management Procedures in each of our business segments to stipulate specific management requirements for water use. We have also established water-saving teams in key production facilities to conduct water balance analysis, formulate water conservation plans and implementation schemes and promote the sustainable utilization of water resources. We have adopted water-efficient facilities and equipment, and certain production facilities are equipped with intelligent water-saving devices and online monitoring systems to ensure precise management of water resources. In addition, we actively promote water recycling technologies by collecting, treating and reusing wastewater generated during production. We have also upgraded or constructed rainwater collection and treatment facilities within our production and operation areas to strengthen the reuse of rainwater resources.

Classification	Unit	Year ended December 31,		
		2023	2024	2025
Purchased Electricity	MWh	927,995.10	915,239.60	932,930.76
Electricity Consumption Density	MWh/RMB million revenue	27.58	24.89	23.25
Total Water Consumption	tonnes	2,062,631.52	2,448,769.54	2,907,396.72
Water Consumption Density	tonnes / RMB million revenue	61.29	66.60	72.46[1]

(1) In 2025, the statistical scope was expanded to include Source Photonics (October–December 2025). Meanwhile, affected by product structure optimization and capacity expansion in certain business segments, the data exhibited reasonable fluctuations in line with business changes.

Response to Climate Change

To more effectively respond to climate change, we have identified climate-related potential risks and opportunities and incorporated them into our strategic decision-making. While advancing green transformation, we practice low-carbon operations and strengthen climate resilience, and gradually advancing carbon accounting and verification across our business segments.

Classification	Unit	Year ended December 31,		
		2023	2024	2025
Scope 1	Metric tonnes of carbon dioxide equivalent	7,826.96	15,525.31	18,767.79
Scope 2	Metric tonnes of carbon dioxide equivalent	497,962.17	491,117.57	568,714.59
Scope 3[1]	Metric tonnes of carbon dioxide equivalent	197,769.87	216,466.20	229,395.53
Greenhouse Gas Emissions Density (Scope 1 and Scope 2)	Metric tonnes of carbon dioxide equivalent/ RMB million revenue	15.03	13.78	14.64

Note:

(1) The calculation methodology for Scope 3 greenhouse gas emissions refers to the GHG Protocol, with emission factors referencing the China Product Life Cycle Greenhouse Gas Emission Factor Database and the National Greenhouse Gas Emission Factor Database. For 2023, the data cover MFLEX Suzhou, Mutto Optronics and Multek; and for 2024 and 2025, the date cover MFLEX Suzhou, MFLEX Yancheng, Mutto Optronics and Multek, and include Category 1 (purchased goods and services), Category 4 (upstream transportation and distribution), Category 5 (waste generated in operations), Category 6 (business travel), Category 7 (employee commuting) and Category 9 (downstream transportation and distribution).

Social Indicators and Management

Employment Responsibility

We respect and protect the lawful rights and interests of all employees. Each of our business segments has established comprehensive systems that set out requirements relating to working hours management, paid leave, prohibition of child labor, compensation and benefits and anti-discrimination and anti-harassment, and expressly prohibit any conduct that infringes upon or violates labor rights. Our major operating bases have obtained ISO 45001 certification for occupational health and safety management systems. In 2025, there were zero work-related fatalities.

We align our talent development strategy with our corporate strategy and business development plans. We have established clear managerial and professional development pathways and provided a systematic and diversified training system for all employees. We actively promote inclusive employment for persons with disabilities. Through dedicated support programs and inclusive hiring initiatives, we expand their career opportunities and help them gain social recognition and self-realization.

Product Liability

We are committed to continuously creating value for customers through high-quality products, innovative solutions and excellent services. We have established comprehensive quality management systems across each business segment in line with ISO 9001, IATF 16949, VDA 6.3, and ISO 9004 and aligned with customer requirements. These systems cover R&D management, raw material and product inspections, non-conformance handling, corrective and preventive actions, customer complaint handling, and product recalls. We integrate customer needs and high-standard quality requirements into the full business process from product design, R&D, procurement, production and sales to after-sales service. As of December 31, 2025, our major production facilities have obtained certification under the ISO 9001 quality management system.

Business Ethics and Anti-Corruption

We have formulated a series of policies and procedures such as the Business Ethics and Integrity Management System and the Detailed Rules for Anti-Corruption Management and require all employees to sign the Commitment against Fraud and Commercial Bribery. We regularly conduct anti-fraud and anti-corruption training and integrity and ethics education. We have established a Misconduct Reporting Mechanism and Handling Measures, continuously improved our whistleblowing process, and ensured all employees understand reporting channels and procedures through training and on-site communications. During the Track Record Period, we were not involved in any litigation cases related to bribery, corruption or unfair competition.

DATA PRIVACY AND CYBERSECURITY

In recent years, data privacy and cybersecurity have emerged as critical governance priorities for companies worldwide. In particular, the PRC legislative and government authorities regularly introduce new cybersecurity, data security and privacy laws and regulations. Consequently, our practices regarding the collection, process and transfer of various types of data may come under increased administrative scrutiny. See "Risk Factors — Risk Relating to Our Business and Industry — Our information systems may experience system failures, interruptions or security breaches."

We collect and store business data, management data and transaction data generated during or in connection with our business operations, including data related to our business and transactions with our customers, suppliers and other relevant parties. We generally do not collect or process individual customers' personal information since our customers are brand companies rather than individuals.

We have established a comprehensive data compliance system that consists of organizational structure and internal policies. Our data security policies have been certified under ISO/IEC 27001:2022. In addition, we conduct annual trial runs of data breach incidents to test our data protection mechanism and provide various data security trainings to our employees (including trainings during their on-boarding process) to ensure that our employees are well aware of our data security policies and their responsibilities in terms of data protection. We require our employees to pass our data security tests before they can commence working for us.

Our Information Security Committee, under our senior management's oversight, is responsible for developing and implementing our policies and procedures relating to cybersecurity and data security.

As advised by our PRC Legal Advisors, during the Track Record Period and up to the latest Practicable Date, we had complied with applicable laws and regulations related to cybersecurity and data protection in all material aspects.

INFORMATION TECHNOLOGY

Our information technology systems are essential to our business operations. We have developed or employ various information technology systems covering all material aspects of our operations, including sales, supply chain management, inventory management, production and quality control. Our information technology department is responsible for developing and maintaining information technology systems to support our business operations and growth. Our Customer Relationship Management (CRM) system manages client data and sales processes, while the Enterprise Resource Planning (ERP) system provides a unified platform for cross-departmental collaboration and data-driven decisions. We optimize our supply chain with a Supplier Relationship Management (SRM) system and ensure product standards are met using a Quality Management System (QMS) to monitor for and resolve defects early.

The capabilities and the stability of our IT infrastructure are vital to our business operations. The IT department performs system checks, data back-ups, system maintenance and other activities to secure the continual operation of the critical IT systems and facilities. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material failure or general breakdown of our IT systems which had resulted in a material adverse impact on our overall business operations.

PROPERTIES

As of December 31, 2025, we operated our business through 15 owned properties and 36 leased properties in China. We primarily use our owned and leased properties as our production centers and office premises.

As of December 31, 2025, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

As of December 31, 2025, we owned 30 properties with a gross floor area of approximately 1,134.2 thousand sq. m. in the Chinese mainland, the United States and Thailand. We mainly use these properties as our production centers and office premises.

As of December 31, 2025, we leased 84 properties with a gross floor area of 1,847.7 thousand sq. m. in the Chinese mainland, the United States, Singapore, Mexico and Thailand, mainly as our production centers, employee dormitory, offices and warehouses.

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. As of December 31, 2025, we had 39,245 full-time employees. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2025.

Function	As of December 31, 2025	
	Number	%
Production	29,716	75.7
Sales and marketing	604	1.5
Technical	7,056	18.0
Finance	217	0.6
Administrative	505	1.3
Management	1,147	2.9
Total	39,245	100.0

We provide our employees with certain benefits including social insurance coverage and retirement benefits. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination. Our employees' compensation is determined with reference to their job positions, technical skills, job performance and competition. We have various employee training programs that aim to enhance our employees' technical skills and innovation capability.

Some of our employees are represented by a union or collective bargaining agreements. Our Directors consider that our Group has maintained a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, there was no material dispute between our Group and our employees, and we did not experience any strikes, work stoppages, labor disputes or actions which had a material adverse effect on our business and operations.

COMPETITION

According to CIC, the markets in which we operate are highly competitive, especially for PCB, precision component and optoelectronic display. To maintain and grow our business, we must continue to meet our customers' requirements and deliver differentiated, high-performance products that meet their evolving needs. If we are unable to keep pace with such advancements or fail to differentiate our products in terms of quality or cost, we risk losing market share to our competitors. See "Industry Overview" for details relating to our competitive landscape.

AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received since 2019.

No.	Year	Awards or Recognition
1	2019	Jiangsu Provincial IIoT Benchmark Factory
2	2019, 2024	Jiangsu Provincial Intelligent Manufacturing Demonstration Workshop
3	2020, 2023	Jiangsu Provincial Green Factory
4	2021	Jiangsu Provincial IIoT Demonstration Enterprise (Benchmark Factory category)
5	2021	Jiangsu Provincial Industrial Internet Development Demonstration Enterprise (Benchmark Factory category)
6	2022	Sample Enterprise of China's Foreign Trade Export Leading Index

No.	Year	Awards or Recognition
7	2023	5G Factory Certification (Jiangsu Provincial)
8	2023	National Intelligent Manufacturing Demonstration Factory
9	2024	5G Factory Certification (MIIT)
10	2024	Intelligent Manufacturing Demonstration Factory of the Year
11	2025	Jiangsu Provincial Advanced-level Intelligent Factory
12	2025	Excellence-tier Intelligent Factory

INSURANCE

We maintain insurance policies to cover product liability and employer liability. In addition, we have purchased a number of property-related insurance policies covering our facilities, machinery, equipment, inventories and other assets. We review our insurance policies from time to time to assess the adequacy and breadth of coverage. We believe that our existing insurance coverage is adequate for our business operations and is in line with industry standards in the countries in which we operate. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See "Risk Factors — Risks Relating to our Business and Industry — Our insurance coverage may be insufficient to cover all of our potential losses" for details.

During the Track Record Period and up to the Latest Practicable Date, we had not made, and were not the subject of, any insurance claims which are material to our business or financial condition.

RISK MANAGEMENT AND INTERNAL CONTROL

Our future operating performance may be affected by risks relating to our business. Some of these risks are specific to us while others relate to economic conditions and the general industry in which we operate. See "Risk Factors" for a discussion of these risks.

The Board of Directors and our senior management are responsible for establishing and maintaining adequate risk management and internal control systems. Risk management is the process designed to identify potential events that may affect us and to manage risks to be within our risk appetite. Internal control is the process designed to provide reasonable assurance regarding achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Risk Management and Internal Control Policies

We have implemented or will adopt upon **[REDACTED]** a number of policies and measures to manage our risks and set up proper internal controls. These policies cover areas such as (i) the duties and roles of the Directors, the Board and our senior management; (ii) social and environmental matters, including policies on diversity; (iii) financial reporting; (iv) whistleblowing; (v) prevention of market misconduct and (vi) compliance with the Listing Rules.

Under our risk management and internal control policies, the Board oversees risk management and internal control systems on an ongoing basis and reviews the effectiveness of these systems.

In October 2025, we engaged an independent consulting firm to perform an initial and follow up review over our internal control. The key areas of inspection include sales, accounts receivable and collection, procurement, accounts payable and payment, inventory and logistics management, production and cost, human resources and payroll, fixed assets and intangible assets management, cash and treasury management, investment management, financial reporting and disclosure controls, tax management process, expense management process, contract management process, IT general controls, IT application controls, information system development, testing and implementation, research and development management, and insurance management.

Historical Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any non-compliance incident which, individually or taken as a whole, in the opinion of our Directors, is likely to have a material and adverse effect on our business, financial condition or results of operations. Our Directors believe that below incidents did not and will not likely have any material adverse impact on our business operations or financial performance.

Social Insurance and Housing Provident Funds

Considering the shortfall in social insurance and housing provident fund contributions was insignificant compared to our total revenue throughout the Track Record Period, we had not made relevant provisions. See "Risk Factors— Risks Relating to Our Industry and Business— Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds or other PRC labor related regulations may subject us to fines and other legal or administrative sanctions." As advised by our PRC Legal Advisor, under the Regulation on Administration of Housing Provident Fund, if we fail to pay by the due date or underpay housing provident fund contributions, we may be ordered to make the payment within a stipulated deadline; if we fail to pay housing provident fund contributions within the prescribed deadlines, compulsory enforcement by the court can be applied. As advised by our PRC Legal Advisor, under the PRC Social Insurance Law, for outstanding social insurance fund contributions that we did not promptly pay in full, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments within the stipulated deadline, we may be liable to a fine of one to three times the outstanding contribution amount.

The New Judicial Interpretation was enacted by the Supreme People's Court on July 31, 2025 and effective as of September 1, 2025. See "Regulatory Overview — Regulations on Employment and Social Welfare" for details. As advised by the PRC Legal Advisor, the New Judicial Interpretation does not expand penalty exposure or repeal existing laws, and upon its implementation, the likelihood that the relevant competent authorities would collectively seek to recover the historically unpaid social insurance and housing provident funds from us and/or impose administrative penalties on us still remains remote.

Properties

As of December 31, 2025, 19 of our lease agreements of us and our PRC major subsidiaries mainly used for office, production or storage had not been registered with the relevant local real estate administration bureaus as required under PRC laws and regulations, and the maximum aggregate administrative penalty that may be imposed on us in respect of such non-compliance would be RMB190,000. As confirmed by our PRC Legal Advisor, the failure to complete the registration for the aforementioned leased premises shall not affect the legal validity of the lease contracts.

As of December 31, 2025, the lessors of a small portion of the leased premises used by the Company and our PRC major subsidiaries, primarily for office, production or storage purposes, had not provided valid property ownership certificates. The aggregate gross floor area of such premises accounted for approximately 0.8% of the total gross floor area of our aforementioned leased premises in the PRC. (i) these leased premises are used for purposes including warehousing, office operations, sales and research and development, (ii) we are not materially dependent on such premises and are able to find alternative properties in a short period of time and (iii) we have mitigated relevant risks by stipulating corresponding terms and liability for breach of contract in the lease contract. Based on the above, our PRC Legal Advisor is of the view that there is no material adverse effect on our business operations.

Furthermore, due to historical reasons, a small portion of the properties owned by our PRC major subsidiaries had not obtained the relevant ownership certificates as of December 31, 2025. The aggregate gross floor area of such properties accounted for approximately 1.1% of the total gross floor area of properties owned by us and our major PRC subsidiaries in the PRC. Up to the Latest Practicable Date, we have not received any notice from the relevant authorities requiring us to vacate such properties. As advised by our PRC Legal Advisor, lacking ownership certificates of the aforementioned properties would not have a material adverse impact on our business operations. We are in the process of applying for the relevant ownership certificates and expect to complete the relevant procedures by 2026.

See "Risk Factors — Risks Relating to Our Industry and Business — We are subject to risks in relation to our properties."

INTRA-GROUP TRANSACTIONS

In our ordinary course of business, we conduct certain intra-group transactions and transferred raw materials or products between the Group entities during the Track Record Period. Specifically, in both 2023 and 2024, one group entity (the "**Product-supplying Entity**") sold products of the Group to another affiliated entity (the "**Service-providing Entity**"), which in turn sold such products to third-party customers on the behalf the Product-supplying Entity. Under this arrangement, the Service-providing Entity undertakes invoicing and customer support functions to facilitate the Product-supplying Entity's sales activities, without assuming any commercial risks associated with the transactions. Accordingly, these product purchase and sale transactions were recorded as pass-through transactions, and the Service-providing Entity received a service fee from the Product-supplying Entity in consideration of the support services rendered. Also in both 2023 and 2024, the Service-providing Entity rendered invoicing and customer support services to the Product-supplying Entity in connection with the Product-supplying Entity's sales of the Group's products through the Service-providing Entity.

In addition, in 2023, an overseas group entity (the "Procurement Entity") purchased the Group's products from two manufacturing entities located in the Chinese mainland (the "Manufacturing Entities"), which were responsible for producing and selling such products to the Procurement Entity. In addition, the Procurement Entity sold products purchased from one of the Manufacturing Entities to an overseas distribution entity of the Group (the "Distribution Entity"), which in turn sold such products to third-party customers in the U.S. market.

Given our global operations involving cross-border related-party transactions, we are subject to the relevant laws and regulations of the jurisdictions in which we operate. To ensure compliance with such regulatory requirements, we have established internal control procedures to govern the pricing and documentation of our intra-group transactions. We have also engaged an independent transfer pricing consultant to conduct a review of our key intra-group transactions during the Track Record Period, with a focus on material and recurring transactions. The consultant reviewed information provided by us, including financial figures and activities performed by relevant Group entities and performed benchmark studies. The consultant assessed the reasonableness of the relevant transfer pricing transactions and arrangements by applying appropriate transfer pricing methods primarily using the interquartile range approach. The objective was to evaluate whether the relevant pricing of intra-group transactions was in line with the arm's length principle and would not give rise to material tax exposure.

Based on the foregoing, the Directors are of the view that all the Group's intra-group transactions were consistent with the arm's length principle and our transfer pricing practice did not have any material non-compliance issues.

LICENSES, PERMITS AND APPROVALS

We are required to obtain or maintain various licenses, permits and approvals in order to operate our business. We believe we have all material licenses, permits and approvals necessary in order to operate our business. We continually monitor our compliance with these requirements in order to ensure that we have all such approvals, licenses and permits as are necessary to operate our business.

We had not experienced any material difficulties in renewing material licenses, permits or approvals during the Track Record Period and do not expect there to be any material difficulties in renewing them upon their expiry.

The following table sets forth our key licenses, approval and permits. As confirmed by our PRC legal advisor, the following licenses and permits are all valid.

Holder	Name of license, approval and permit	Effective date	Expiry date
The Company	Pollutant Discharge Registration for Stationary Sources	April 21, 2026	April 20, 2031

LEGAL PROCEEDINGS

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors that could have a material and adverse effect on our financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, there were no material breaches or violations of laws or regulations applicable to us which are expected to have a material adverse effect on our business, financial condition or results of operations.

IMPACT OF THE COVID-19 PANDEMIC

Despite the macroeconomic challenges temming from the COVID-19 pandemic, we maintained stable business operations and financial condition during the Track Record Period, with no material adverse impacts arising from the pandemic. Our production activities and supply chain functioned smoothly during the Track Record Period. Neither did we identify any material adverse effects on our third-party service providers during the Track Record Period.

Furthermore, we sustained stable demand across our customer base, with no material adverse shift in their purchases that could be directly attributed to the COVID-19 pandemic. During the Track Record Period, we have not encountered any significant cancellations, deferments or abnormal pricing pressures linked to factors related to the COVID-19 pandemic.

TRADE RESTRICTIONS, TARIFF POLICIES AND INTERNATIONAL SANCTIONS

U.S. Outbound Investment Security Program

On January 2, 2025, the Outbound Investment Security Program, implemented by the U.S. Treasury under the Outbound Investment Rule, became effective. The Outbound Investment Security Program prohibits or requires notification of certain outbound investment transactions by "U.S. persons" involving "covered foreign persons" that are engaged in "covered activities" relating to certain sensitive technologies and products in the (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) AI sectors.

One of our subsidiaries, Source Photonics, designs and produces certain optical and laser-based semiconductor components, such products are discrete optoelectronic devices rather than integrated circuits for purposes of the Outbound Investment Rule and therefore do not constitute "covered activities." In addition, Source Photonics' contribution to our financials, measured by revenue, net income, capital expenditures and operating expenses, remains well below the Outbound Investment Rule's 50% threshold test. As a result, as advised by our legal adviser as to international sanctions, we have concluded that we are not considered a "covered foreign person" by extension of the subsidiaries and controlled entities' activities. Accordingly, U.S. persons purchasing **[REDACTED]** in the **[REDACTED]** will not be engaging in prohibited or notifiable transaction under the Outbound Investment Security Program. In addition, we believe that purchases of our **[REDACTED]** in the **[REDACTED]** and subsequent secondary market trading by U.S. persons should fall within the publicly traded securities exception under the current Outbound Investment Rule and applicable U.S. Treasury guidance.

Our Directors further confirm that the Outbound Investment Rule has not had any material adverse impact on our operations or financial condition, and we do not anticipate any such adverse impacts on the **[REDACTED]** or the **[REDACTED]**. However, the Outbound Investment Security Program is a relatively new regulatory regime, which is subject to changes and interpretations. On December 18, 2025, the U.S. Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"), which will supersede the Outbound Investment Security Program, became law. The COINS Act is subject to a rulemaking process, which is required to be completed by March 2027, and there is substantial uncertainty regarding how the new law will be implemented. We will continue evaluating and monitoring developments with respect to these laws and regulations. Investors, including those that are U.S. persons or are subsidiaries of U.S. persons, should consult their own legal counsel regarding the applicability of the Outbound Investment Rule, the COINS Act or similar laws and regulations to this **[REDACTED]** and any potential obligations and exceptions thereunder. For associated risks, see "Risk Factors — Risks Relating to Our Business and Industry — U.S. outbound investment regulations and other foreign laws and regulations could have a negative impact on our future ability to access to capital".

International Sanctions and Export Control

The United States and other jurisdictions or organizations, have, through executive order, legislation or other governmental means, implemented measures that impose economic sanctions against certain countries and other jurisdiction, targeted industry sectors, companies and persons. Most notably, these include U.S. economic sanctions as implemented by the OFAC.

In addition to economic sanctions, in recent years, the United States has expanded export controls restrictions on China through the EAR administered by the BIS. These include controls on items exported from the United States, items of U.S. origin (wherever located), and, under the EAR's "de minimis rules," on certain non-U.S.-made items that incorporate controlled U.S.-origin items or incorporate or are bundled with U.S.-origin software or technology. Also, under the FDPR, the EAR applies to items manufactured outside the United States that are the direct product of certain controlled U.S.-origin technology or software when exported, reexport or transferred to specific destinations and end-users.

In addition to the restrictions introduced above, the BIS also maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List includes a list of foreign persons on which certain trade restrictions are imposed. In recent years, the United States has placed an increasing number of entities, including hundreds of entities in China, on the Entity List and other restricted or prohibited party lists. In addition to naming additional persons to these lists, BIS has imposed complex and restrictive rules applicable to doing business with persons on them. The restrictions applicable to Entity List parties include licensing requirements for exports, re-exports or transfers of items on lists of controlled items maintained by the U.S. government, which in most cases prevents these named entities from receiving essentially any item subject to U.S. export controls, including, in some cases through the application of the EAR's foreign direct product rules, to items produced wholly outside the United States. In addition, on September 29, 2025, the BIS issued the Affiliates Rule; however, following the leaders' meeting on October 30, 2025, the United States suspended implementation of the Affiliates Rule for one year beginning November 10, 2025. As a result, this extension of Entity List restrictions is not expected to apply during the suspension period unless BIS issues implementing rules to the contrary or the suspension is modified or revoked.

We screen our counterparties to determine if they are subject to applicable economic sanctions or export control restrictions and have not identified any sales that involve such sanctioned parties or jurisdictions. Certain of our customers have been included on the BIS Entity List. Specifically, a customer group of the Company and two customers of Source Photonics were included on the BIS Entity List. Revenue generated from the relevant customer group of the Company in the aggregate accounted for 1.0%, 1.6% and 1.7% of our total revenue in 2023, 2024 and 2025, respectively. Revenue generated from the relevant customers of Source Photonics in the aggregate accounted for 6.0%, 6.2% and 8.1% of Source Photonics' total revenue in 2023, 2024 and the nine months ended September 30, 2025, respectively. The Company and Source Photonics mainly sold communications equipment and optical transceivers to those customers, respectively, during the Track Record Period. We have consulted with our legal adviser as to international sanctions and determined that (i) none of the items we sold to Entity List-designated customers involve the transfer, export or reexport of items subject to the EAR, including through the FDPR, and (ii) such customers and the relevant transactions did not involve sanctioned parties or jurisdictions subject to sanctions administered by the OFAC. We intend to continue transactions with these customers under the Group's existing compliance framework to ensure compliance with applicable export control and sanctions laws and regulations. We will suspend transactions or seek relevant licenses, as appropriate, in the event of regulatory changes that would require such actions.

At the same time, our core products are not subject to the EAR. Except for certain items manufactured in the U.S. and are sold exclusively to U.S.-based customers, the Company's products are not manufactured in the United States and, in the ordinary course of business, are not located in, shipped from, or routed through the United States. Accordingly, such products are generally not treated as U.S.-origin items for U.S. export control purposes. Therefore, the current U.S. export control regime has not had, and is not expected to have, a material impact on our business operations or financial performance.

To ensure full compliance with applicable sanctions and export control regulations, we have implemented a robust internal control process designed to prevent potential violations. Manufacturing for customers subject to enhanced compliance procedures is conducted exclusively at the Group's facilities in the Chinese mainland. The Group also maintains controls to ensure that no U.S.-origin controlled items, software, or technology are used in the design or production of products supplied for such customers under such procedures. In addition, the Group maintains detailed procurement and usage records and conducts regular compliance reviews to confirm adherence to export control requirements. We also conduct counterparty screening and escalation reviews for higher risk transactions and consult external legal advisers where appropriate. Based on these controls, we seek to ensure that our relevant transactions are conducted in compliance with applicable sanctions and export control requirements.

Given the complexity of these regulations and sudden and unpredictable nature of changes to them, it is difficult to predict developments in this area and we have no ability to influence such determinations. For associated risks, see "Risk Factors — Risks Relating to Our Business and Industry — We are subject to governmental export and import controls, tariffs, economic sanctions and other trade protection measures, which could affect our ability to compete in certain markets or expose us to liability in certain jurisdictions."

Procurement from the United States

We procure certain raw materials and components from suppliers in the United States. These items fall outside the scope of restrictions under the EAR and were not restricted at the time of procurement. At the same time, saved for the discussion below, we do not use U.S.-origin controlled technology in our manufacturing processes. As a result, our products generally do not incorporate controlled U.S.-origin commodities, are not bundled with controlled U.S.-origin software, and are not "direct products" of U.S.-origin technology or software in a manner that would cause them to be subject to the EAR under the de minimis or FDPR. Accordingly, our products are generally not subject to the EAR.

With respect to Source Photonics, certain product lines use both U.S.-origin and PRC-origin materials and technology. Source Photonics maintains a rigorous compliance framework to assess EAR applicability and, where relevant, implement appropriate controls to prevent such products from being incorporated into goods supplied to regulated customers. For instance, for customers on the Entity List, Source Photonics has deliberately structured its operations to avoid the use of items or technology of U.S.-origin in the relevant product lines and to conduct all manufacturing of such products exclusively in the PRC.

Tariff Policies

There is currently significant uncertainty about the tariff policies in the United States and certain other countries. We believe that the Additional U.S. Tariffs and other tariff measures adopted by other jurisdictions will not have a material impact on our business and results of operations, for the following reasons:

- *Our limited direct exports to the United States:* U.S. tariffs, including the Additional U.S. Tariffs, are generally payable upon importation into the United States. During the Track Record Period, our revenue attributable to the United States based on delivery destination amounted to RMB2,069.9 million, RMB2,842.7 million and RMB3,348.9 million in 2023, 2024 and 2025, respectively, representing approximately 6.1%, 7.7% and 8.3% of our total revenue for the corresponding years respectively, and therefore constituted a relatively small portion of our total revenue.

- *Sales in special supervision territory*: under most circumstances, our products are delivered into special supervision territories in China and are further processed or assembled by downstream manufacturers before being incorporated into end products, such as smartphones. Customers taking delivery in such special supervision territories, which are physically located in China, are generally responsible for any import duties and tariffs imposed by the destination countries, including the Additional U.S. Tariffs if the products are subsequently exported to the United States. Given that most large-scale manufacturing bases for leading consumer electronics brands are located outside the United States, our products are rarely exported directly to the United States. As such, notwithstanding that a number of our major customers are headquartered in the United States, our direct sales into the United States represented an insignificant portion of our revenue during the Track Record Period.

However, such tariffs could have an indirect impact on us. To the extent our customers' end products are subject to increased U.S. tariffs, their overall costs may rise and demand in the U.S. market may weaken, which could lead to adjustments in production planning, order volumes and product mix, increased pricing pressure on upstream suppliers or supply chain reconfiguration. Any such developments could, in turn, adversely affect our sales, margins and utilization rates, even where our products are not directly exported to the United States. In light of the foregoing, and given the limited revenue contribution from direct sales into the United States, we do not expect this to have a material adverse impact on our business and results of operations as a whole.

You should note that the Source Photonics began consolidating its results into our consolidated financial statements from October 2025. As a result, the historical operating results and financial condition of our Group for the years ended December 31, 2023 and 2024 do not reflect the financial information of Source Photonics, while those for the year ended December 31, 2025 reflect the financial information of Source Photonics only for the period from October 2025 onwards. Please see "History, Development and Corporate Structure" for more information on the acquisition of Source Photonics. To follow applicable regulations and disclosure requirements and for the purpose of presenting necessary key data to assess the financial impacts of the Source Photonics, this document includes the audited historical financial information of Source Photonics for the years ended December 31, 2023, 2024 and nine months ended September 30, 2025, and unaudited historical financial information of Source Photonices for the nine months ended September 30, 2024 (see "Appendix IB— Accountants' Report of the Source Photonics Group") and the discussion and analysis on the historical financial information of Source Photonics for the years ended December 31, 2023, 2024 and the nine months ended September 30, 2024 and 2025 in this section.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in Appendix IA, and IB to this document. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, reference to the years of 2023, 2024 and 2025 refer to the years ended December 31, 2023, 2024 and 2025, respectively.

OVERVIEW

We are a company specializing in intelligent manufacturing with a global mindset and presence. We provide advanced products and solutions to leading technology companies worldwide, ultimately enabling the connection of people, devices and infrastructure. Our strong technical capabilities underpin the development of PCBs, precision components, touch panels and LCMs, and optical transceivers that we design, manufacture and sell across the globe.

During the Track Record Period, we generated revenue from five operating segments, including electronic circuits (PCBs), precision components, touch panels and LCMs, optical transceivers and others. We provide distinctive and comprehensive solutions by leveraging technological innovation and advanced manufacturing and creating synergies across product, R&D, technology, supply chain and sales.

In 2023, 2024 and 2025, our revenue amounted to RMB33,651.2 million, RMB36,770.4 million and RMB40,124.9 million, respectively. In 2023, 2024 and 2025, our profit for the year amounted to RMB1,965.1 million, RMB1,085.1 million and RMB1,393.0 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by a number of general factors influencing the overall performance of the industry where we operate. These factors include macroeconomic trends, industry development and competitive landscape in the market. Any adverse development can have a negative impact on our results of operations.

End-Market Dynamics and Product Applications

Our products are used in a broad range of end applications, including AI computing, consumer electronics, automotive, telecommunications and other industrial applications. Demand for our products stems from the performance of these markets for these applications and the commercial success of our customers' products. These markets are highly competitive, evolve rapidly and are influenced by changes in the macroeconomic environment and end users' preferences, which could impact our business and results of operations.

Ongoing innovation in these end products increases the technical requirements for our PCBs, precision components, touch panels and LCMs and optical transceivers. For example, the growing popularity of edge AI devices and ultra-slim or foldable smartphones is driving greater demand for high-density and thin FPCs with tighter routing and higher process precision. Meanwhile, the rise of AI computing has created a significant demand for RPCBs supporting high-speed, low-latency data transmission. Similar trends in automotive and telecommunications equipment require components with stricter reliability, signal integrity and thermal performance standards. In response, we have developed advanced FPCs, high-layer-count PCBs, high-build-up HDIs and other products to meet these needs and invested in product development and process upgrades to address these requirements. However, the timing and pace of customer end product ramps may materially affect our revenue and margins.

Our performance is also sensitive to broader macroeconomic conditions. Changes in regional and global economic conditions and consumer spending could affect the demand for consumer electronics and automobiles, which would in turn impact the sales of our PCBs, precision components, touch panels and LCMs and optical transceivers. Data center spending is also influenced by cloud and hyper-scale capital expenditure cycles, and telecommunications demand depends on carrier rollout plans and, in some cases, regulatory or policy factors. The pace and trajectory of these cycles could significantly impact our operating results.

Product Mix

Our revenue and profitability are affected by the mix of products we sell across various applications. We currently offer (i) PCBs, including FPC, RPCB and Rigid-Flex, (ii) precision components, including automotive components and telecommunications equipment components, (iii) touch panels and LCMs, including touch panels and LCD and OLED modules and (iv) optical transceivers, including data center transceivers and telecommunications transceivers. Our product mix changes over time with market conditions, customer preferences and technology developments in end products that incorporate our products.

These categories carry different selling prices and margin profiles, reflecting variations in technical complexity, production processes, customer specifications, competitive intensity, raw material exposure and product positioning. For example, in 2025, our PCB products recorded a gross margin of 16.7% and Source Photonics' data center transceivers recorded a gross margin of 39.5%, while our touch panel and LCM products recorded a gross margin of 4.5% in the same year, which is below our overall gross margin due to stronger pricing pressure in the end markets. Furthermore, different products within the same category may have different selling prices and profit margins as well. In 2025, within precision components, our automotive components recorded a gross margin of 9.5%, while our telecommunications equipment components recorded a gross loss margin of 7.0% in the same year. In addition, the gross profit margin of optical transceivers increased from 29.8% for the nine months ended September 30, 2025 to 36.8% for the fourth quarter of 2025, primarily due to a shift in product mix toward higher-end products. As a result, the mix of our products sold in a given year significantly impacts our financial condition and profitability.

We aim to optimize our product mix toward higher-margin, value-added offerings. As we strengthen relationships with existing customers and solidify our position in target markets, we seek to increase the proportion of higher-margin products supplied to them. As such, our ability to effectively manage our product portfolio, respond to changing customer requirements or appropriately price our products is expected to continue to impact our profitability.

Customer Base

We serve the AI computing, consumer electronics, automotive and telecommunications markets through our PCBs, precision components, touch panels and LCMs and optical transceivers, where rapid product cycles require customers to launch or upgrade offerings quickly. These industries are characterized by intense competition and sometimes price reduction pressures in recent years. Consequently, our customers are under constant pressure to introduce new products at competitive prices. This trend requires us to continuously upgrade our production processes to support our customers' evolving specifications and our ability to consistently deliver high-quality products on schedule directly affects our success in deepening existing relationships and securing design-ins for subsequent collaborations.

Moreover, the global production of PCBs, precision components, touch panels and LCMs is concentrated in China, but an increasing number of manufacturers are establishing facilities outside of China to enhance supply chain resilience and meet localization requirements. In order to maintain and grow our business, we plan to continue meeting the delivery and localization requirements of leading global customers as we plan new production lines and facilities worldwide.

In addition to strengthening relationships with existing customers, our performance also depends on our ability to win new customers. We seek to expand our customer base by offering solutions tailored to customized technical requirements across our product lines and by demonstrating reliable execution through qualification and ramp-up. Our ability to attract new customers is influenced by our technical capabilities, pricing and service levels, our marketing activities and the broader competitive dynamics of the global PCB, precision manufacturing, optoelectronic display and optical transceiver markets.

Raw Material and Supply Chain Volatility

Our results of operations are affected by the availability and pricing of key raw materials, such as copper foil, high-grade aluminum alloys and copper alloys, which together account for a significant portion of our product costs. At the same time, each product category relies on different raw materials and therefore has a different raw material cost structure. For example, in 2023, 2024 and 2025, direct raw material costs represented approximately 56.4%, 56.0% and 56.0% of our revenue for PCBs, respectively; in contrast, for the same year, direct raw material costs represented approximately 84.0%, 81.5% and 82.2% of our revenue for touch panels and LCMs. As a result, these differences in cost structure also affect the margin profile of different products. Our selling prices do not always follow raw material costs or on the same timeline, which can also lead to fluctuations in margins and results.

The prices and supply of these materials are closely linked to international commodity markets and global supply and demand. If we encounter tight supply or sharp price increases and cannot offset them through technological improvements, process efficiencies, procurement initiatives or timely price adjustments, we may experience supply constraints or margin compression. While we seek to mitigate these risks through multi-sourcing, longer term supply arrangements, inventory planning and commodity hedging, sustained volatility could negatively impact our production efficiency, profitability and overall financial performance.

Research and Development Capabilities

Research and development are critical to our long-term competitiveness and sustainable growth. We work closely with customers to co-develop products tailored to their requirements and the competitive market dynamic drives our customers, and by extension, us, to continuously enhance our research and development capabilities to deliver innovative products that meet their ever-changing requirements. Therefore, the ability to meet these needs depends on developing and the research, development and implementation of new technologies. We have been investing and expect to continue investing, in R&D. In 2023, 2024 and 2025, our R&D expenses were RMB1,161.2 million, RMB1,266.8 million and RMB1,417.2 million, representing 3.5%, 3.4% and 3.5% of total revenue for the same years, respectively.

Our R&D efforts are aligned with strategic priorities to reinforce our market position in advanced PCB technologies, with a focus on emerging industries and high-growth applications such as AI servers, data centers, optical transceivers, automotive and telecommunications. R&D outcomes affect our business in multiple ways, including whether we can maintain and deepen relationships with existing customers and win new customers, whether we can broaden our portfolio of products and services and whether we can improve production efficiency through process optimization and greater automation. R&D timing and commercialization outcomes can also affect margins and cash flows as yield and cycle-time improvements may be realized over time.

Foreign Exchange Fluctuations

Our reporting currency is the RMB. However, a substantial portion of our sales are quoted in USD, and a portion of our procurement is also settled in USD. Certain subsidiaries of ours also conduct transactions in foreign currencies and have cash and bank balances, trade receivables, other receivables, trade payables, other payables and borrowings denominated in foreign currencies, exposing us primarily to USD exchange rate risk. As such, the USD to RMB exchange rate not only has an impact on our revenues but also our profit margins.

In 2023, 2024 and 2025, we recorded financial assets denominated in USD of RMB10,111.6 million, RMB9,886.0 million and RMB8,658.3 million, respectively. During the same years, we recorded financial liabilities denominated in USD of RMB3,650.1 million, RMB3,308.4 million and RMB3,288.2 million, respectively. As a result, changes in exchange rates also have an impact on our consolidated financial information through both realized and unrealized gains or losses.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. In 2023 and 2024, we recorded net foreign exchange gain of RMB129.9 million and RMB294.7 million. In 2025, we recorded net foreign losses of RMB27.4 million. See Note 3.1(a) to "Appendix IA — Accountants' Report of the Group" for further details regarding the carrying amounts of our monetary assets and liabilities denominated in foreign currencies and the effect of foreign currency fluctuations on our results of operations.

THE ACQUISITION OF SOURCE PHOTONICS HOLDINGS (CAYMAN) LIMITED

We began consolidating Source Photonics' results into our consolidated financial statements from October 2025. For details of the transaction, see "History, Development and Corporate Structure."

BASIS OF PRESENTATION

Our and Source Photonics' historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss and financial assets measured at other comprehensive income. See Note 2 to "Appendix IA — Accountants' Report of the Group," and "Appendix IB — Accountants' Report of the Source Photonics Group" for further details.

To comply with the requirements of Rules 4.04 and 4.05A of the Listing Rules, as well as to present material information necessary for investors to assess our business, this document includes (i) audited historical financial information of the Group for the years ended December 31, 2023, 2024, and 2025 (see "Appendix IA — Accountants' Report of the Group"; (ii) audited historical financial information of Source Photonics for the years ended December 31, 2023 and 2024 and nine months ended September 30, 2025, and unaudited historical financial information of Source Photonics for the nine months ended September 30, 2024 (see "Appendix IB — Accountants' Report of the Source Photonics Group"); (iii) a discussion and analysis of the historical financial information of Source Photonics for the years ended December 31, 2023, 2024 and the nine months ended September 30, 2025 (see "— Financial Information of Source Photonics").

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Notes 4 "Appendix IA — Accountants' Report of the Group" and "Appendix IB — Accountants' Report of the Source Photonics Group" to this document sets forth critical accounting estimates and key judgments, which are important for understanding our financial conditions and results of operations.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Impairment Tests for Goodwill

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The carrying amounts of goodwill allocated to the cash generating units or group of cash generating units ("CGU" or "CGUs") are as follows:

	Opening	**Addition**	**Impairment**	**Closing**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023				
MFLEX[(i)]	1,770,753	–	–	1,770,753
Multek[(ii)]	179,329	–	–	179,329
Mutto Optronics[(iii)]	115,725	–	(29,243)	86,482
Suzhou RF[(iv)]	126,133	–	–	126,133
	2,191,940	**–**	**(29,243)**	**2,162,697**

	Opening	Addition	Impairment	Closing
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2024				
MFLEX	1,770,753	–	–	1,770,753
Multek	179,329	–	–	179,329
Mutto Optronics	86,482	–	(48,393)	38,089
Suzhou RF	126,133	–	(36,830)	89,303
	2,162,697	**–**	**(85,223)**	**2,077,474**
Year ended December 31, 2025				
MFLEX	1,770,753	–	–	1,770,753
Multek	179,329	–	–	179,329
Mutto Optronics	38,089	–	(38,089)	–
Suzhou RF	89,303	–	(69,156)	20,147
Source Photonics(v)	–	2,799,029	–	2,799,029
	2,077,474	**2,799,029**	**(107,245)**	**4,769,258**

(i) The goodwill is generated from business combination of MFLEX Delaware, Inc ("MFLEX"). Management regards MFLEX as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

(ii) The goodwill is generated from business combination of Multek Hong Kong Limited ("Multek"). Management regards Multek as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

(iii) The goodwill is generated from business combination of Mutto Optronics Technology Co., Ltd. ("Mutto Optronics"). Management regards Mutto Optronics as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

(iv) The goodwill is generated from business combination of Suzhou RF Top Electric Communications Co., Ltd ("Suzhou RF"). Management regards Suzhou RF as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

(v) The goodwill is generated from business combination of Source Photonics Holdings (Cayman) Limited ("Source Photonics"). Management regards Source Photonics as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

The following table sets out the key assumptions for these CGUs that have goodwill allocated to them, where the group used five-year period as the projection period for the cash flow forecast.

Year ended December 31, 2023

	MFLEX	Multek	Mutto Optronics	Suzhou RF
Revenue annual growth rates	0.10% to 1.19%	-0.76% to 4.06%	1.50% to 8.73%	-1.34% to 24.14%
Operating profit margin	16.19% to 17.30%	16.49% to 17.45%	6.42% to 7.12%	18.00% to 24.69%
Perpetual annual growth rates	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	11.68%	10.99%	10.84%	12.46%

	MFLEX	**Multek**	**Mutto Optronics**	**Suzhou RF**
Year ended December 31, 2024				
Revenue annual growth rates	0.13% to 1.00%	0.99% to 2.09%	-19.66% to 2%	-1.34% to 27.80%
Operating profit margin	16.23% to 17.57%	17.22% to 18.00%	7.38% to 7.62%	7.54% to 19.23%
Perpetual annual growth rates	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	13.83%	11.55%	9.49%	12.40%

Year ended December 31, 2025

	MFLEX	**Multek**	**Mutto Optronics**	**Suzhou RF**	**Source Photonics**
Revenue annual growth rates	0.00% to 0.40%	0.32% to 7.73%	6.00% to 6.00%	5.03% to 71.83%	1.85% to 16.03%
Operating profit margin	9.24% to 10.44%	9.74% to 11.63%	5.51% to 7.02%	12.79% to 17.48%	26.02% to 28.39%
Perpetual annual growth rates	0.00	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	12.73%	12.50%	9.30%	14.20%	16.70%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.
Operating profit margin	Based on past performance and management's expectations for the future.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

RESULTS OF OPERATIONS

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Revenue	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**
Cost of sales	(28,970,998)	(86.1)	(32,553,696)	(88.5)	(35,160,571)	(87.6)
Gross profit	**4,680,207**	**13.9**	**4,216,678**	**11.5**	**4,964,288**	**12.4**
General and administrative expenses	(1,124,729)	(3.3)	(1,312,533)	(3.6)	(1,562,557)	(3.9)
Selling and marketing expenses	(362,094)	(1.1)	(454,018)	(1.2)	(445,146)	(1.1)
Research and development expenses	(1,161,190)	(3.5)	(1,266,813)	(3.4)	(1,417,227)	(3.5)
Net impairment losses on financial assets	(39,437)	(0.1)	(44,110)	(0.1)	(63,743)	(0.2)
Other income	249,882	0.7	523,256	1.4	362,768	0.9
Other gains, net	243,190	0.7	8,479	0.0	76,346	0.2
Operating profit	**2,485,829**	**7.4**	**1,670,939**	**4.5**	**1,914,729**	**4.8**
Finance income	225,594	0.7	243,072	0.7	200,834	0.5
Finance costs	(500,195)	(1.5)	(445,902)	(1.2)	(424,225)	(1.1)
Finance costs, net	(274,601)	(0.8)	(202,830)	(0.6)	(223,391)	(0.6)
Share of net losses of investments in associates	(10,821)	0.0	(398)	0.0	(922)	0.0
Impairment provision for investments in associates	(9,319)	0.0	–	–	–	–
Profit before income tax	**2,191,088**	**6.5**	**1,467,711**	**4.0**	**1,690,416**	**4.2**
Income tax expense	(226,038)	(0.7)	(382,651)	(1.0)	(297,449)	(0.7)
Profit for the year	**1,965,050**	**5.8**	**1,085,060**	**3.0**	**1,392,967**	**3.5**

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from the following operating segments:

- Electronic circuits (PCBs), including FPCs, RPCBs and Rigid-Flexes;
- Precision components, including automotive components and telecommunications equipment components;
- Touch panels and LCMs, including touch panels and LCD and OLED modules;
- Optical transceiver, including data center transceiver and telecommunications transceiver; and
- Others, which primarily include the sales of LED display products, raw and scrap materials and other ancillary businesses.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Electronic circuits (PCBs)	23,261,396	69.1	24,800,814	67.4	25,620,293	63.9
FPC	20,103,622	59.7	21,589,392	58.7	21,875,481	54.5
RPCB	2,845,766	8.5	2,842,974	7.7	3,228,771	8.0
Rigid-Flex	312,008	0.9	368,448	1.0	516,041	1.4
Precision components	4,162,217	12.4	4,540,319	12.3	5,930,242	14.8
Automotive component	2,942,208	8.7	3,289,989	8.9	5,166,701	12.9
Telecommunications equipment component	1,220,009	3.7	1,250,330	3.4	763,541	1.9
Touch panels and LCMs	4,861,904	14.4	6,369,925	17.3	5,985,629	14.9
Touch panel	1,646,294	4.8	2,211,679	6.0	2,445,030	6.1
LCD & OLED module	3,215,610	9.6	4,158,246	11.3	3,540,599	8.8
Optical transceiver(1)	–	–	–	–	1,435,535	3.6
Data center transceiver	–	–	–	–	1,207,623	3.0
Telecommunications transceiver	–	–	–	–	227,912	0.6
Others	1,365,688	4.1	1,059,316	3.0	1,153,160	2.8
Total	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**

Note:

(1) Revenue of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements in October, 2025.

During the Track Record Period, electronic circuits were our largest revenue contributor. As we continue to capitalize on our unique capability in providing PCBs for end-to-cloud AI applications from data centers to the edge, we expect the sales of PCBs will continue to grow and remain a key revenue contributor. We also provide precision components, touch panels and LCMs and optical transceiver to address customers' diverse needs and have maintained strong relationships with our key customers.

By geographical location – incorporation place of customers*

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Chinese Mainland (excluding special supervision territory(1))	**5,649,268**	**16.8**	**6,187,309**	**16.8**	**7,459,673**	**18.6**
Outside Chinese Mainland	**28,001,937**	**83.2**	**30,583,065**	**83.2**	**32,665,186**	**81.4**
Hong Kong, Macao and Taiwan	2,454,995	7.3	2,789,416	7.6	3,429,841	8.5
United States	19,333,742	57.5	18,953,041	51.5	20,386,493	50.8
Special supervision territory in China	1,388,763	4.1	1,683,218	4.6	1,061,763	2.6
Japan	2,534,156	7.5	3,283,851	8.9	2,853,017	7.1
Other countries in Asia	949,949	2.8	1,295,425	3.5	1,701,994	4.2
Europe and Others	1,340,332	4.0	2,578,114	7.1	3,232,078	8.1
Total	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**

Note:

* Information about our revenue from customers is presented based on customers' place of incorporation

(1) Special supervision territory in China refers to a specific geographical area in China, including geographically enclosed areas such as bonded zones and free trade zone. To arrange sales to the Special Supervision Territory lies in leveraging the territory's preferential customs and tax policies, while the territory is carved out from China for separate disclosure due to its distinct regulatory framework and customs clearance rules that differ from those applicable to other regions of China.

By geographical location – place of shipments

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Chinese Mainland (excluding special supervision territory)[1]	5,704,619	17.0	6,078,549	16.5	7,443,932	18.6
Outside Chinese Mainland	27,946,586	83.0	30,691,825	83.5	32,680,927	81.4
Special supervision territory in China	20,064,192	59.6	21,029,810	57.2	20,129,223	50.2
United States	2,069,909	6.1	2,842,678	7.7	3,348,867	8.3
Hong Kong, Macao and Taiwan	861,552	2.6	1,107,378	3.0	1,095,205	2.7
India	1,314,755	3.9	1,608,610	4.4	876,385	2.2
Vietnam	606,782	1.8	1,216,162	3.3	2,444,661	6.1
Other countries in Asia	1,205,350	3.6	1,151,312	3.2	1,250,750	3.1
Europe and others	1,824,046	5.4	1,735,875	4.7	3,535,836	8.8
Total	**33,651,205**	**100.0**	**36,770,374**	**100.0**	**40,124,859**	**100.0**

Note:

(1) Special supervision territory in China refers to a specific geographical area in China, including geographically enclosed areas such as bonded zones and free trade zone. To arrange sales to the Special Supervision Territory lies in leveraging the territory's preferential customs and tax policies, while the territory is carved out from China for separate disclosure due to its distinct regulatory framework and customs clearance rules that differ from those applicable to other regions of China.

During the Track Record Period, a majority of our revenue was from customers outside the Chinese mainland. As we continue to serve a global customer base, we expect sales to customers outside the Chinese mainland remain a key revenue contributor going forward.

Sales Volume and Average Selling Prices

	Year Ended December 31,					
	2023		2024		2025	
	Sales volume[1]	**Average selling price[2]**	**Sales volume[1]**	**Average selling price[2]**	**Sales volume[1]**	**Average selling price[2]**
	('000 sq. m./unit)	*(RMB / sq. m./ unit)*	*('000 sq. m./unit)*	*(RMB / sq. m./ unit)*	*('000 sq. m./unit)*	*(RMB / sq. m./ unit)*
Electronic circuits (PCBs)	3,978.9	5,846.1	5,544.3	4,473.2	6,693.5	3,827.6
FPC	2,877.3	6,987.0	4,314.1	5,004.4	5,128.8	4,265.2
RPCB	1,032.9	2,755.1	1,163.9	2,442.6	1,481.4	2,179.5
Rigid-Flex	68.7	4,537.6	66.3	5,553.9	83.3	6,195.0
Precision components	106,339.8	39.1	142,829.0	31.8	183,720.2	32.3
Automotive component	101,821.9	28.9	137,125.2	24.0	180,230.0	28.7
Telecommunications equipment component	4,517.9	270.0	5,703.8	219.2	3,490.2	218.8
Touch panels and LCMs	26,663.7	182.3	31,785.4	200.4	27,445.6	218.1
Touch panel	4,110.4	400.5	4,877.8	453.4	5,395.2	453.2
LCD & OLED module	22,553.3	142.6	26,907.6	154.5	22,050.4	160.6
Optical transceiver[3]	–	–	–	–	2,793.3	513.9
Data center transceiver	–	–	–	–	896.8	1,346.6
Telecommunications transceiver	–	–	–	–	1,896.5	120.2

Notes:

(1) Sales volume are measured using the following units for each product category: electronic circuit products are measured by the aggregate area of specific product types in square meters (m^2), representing the total area of PCBs produced; precision component, touch panel and LCM and optical transceiver products are measured in units, representing the total number of finished components or assemblies.
(2) Average selling price is calculated by dividing the revenue in a given product category by the corresponding sales volume.
(3) Sales volume and average selling prices of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements in October, 2025.

The sales volume of electronic circuits increased throughout the Track Record Period, mainly driven by the strong downstream demand in consumer and automotive electronics. The sales volume of precision components increased throughout the Track Record Period, mainly attributable to increased orders and capacity expansion, as well as a broader product portfolio, for automotive components.

Cost of Sales

Our cost of sales primarily consists of (i) raw materials costs, (ii) labor costs and (iii) depreciation and amortization. During the Track Record Period, our cost structure remained stable, with raw material costs constituting the largest component.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Raw material costs	22,000,279	75.9	24,609,326	75.6	26,073,628	74.2
Labor costs	2,781,864	9.6	3,066,899	9.4	3,699,332	10.5
Depreciation and amortization	1,464,854	5.1	1,750,630	5.4	2,216,798	6.3
Utility costs	430,961	1.5	447,675	1.4	541,117	1.5
Others	2,293,040	7.9	2,679,166	8.2	2,629,696	7.5
Total	**28,970,998**	**100.0**	**32,553,696**	**100.0**	**35,160,571**	**100.0**

Gross Profit and Gross Profit Margin

By product category

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Electronic circuits (PCBs)	4,715,951	20.3	4,440,360	17.9	4,268,623	16.7
FPC	4,079,160	20.3	3,830,957	17.7	3,536,560	16.2
RPCB	565,371	19.9	520,832	18.3	592,636	18.4
Rigid-Flex	71,420	22.9	88,571	24.0	139,427	27.0
Precision components	394,086	9.5	482,259	10.6	435,758	7.3
Automotive component	322,405	11.0	451,520	13.7	489,108	9.5
Telecommunications equipment component	71,681	5.9	30,739	2.5	(53,350)	(7.0)
Touch panels and LCMs	(116,538)	(2.4)	143,094	2.2	271,913	4.5
Touch panel	(130,853)	(7.9)	53,957	2.4	86,979	3.6
LCD & OLED module	14,315	0.4	89,137	2.1	184,934	5.2
Optical transceiver(2)	–	–	–	–	527,621	36.8
Data center transceiver	–	–	–	–	476,617	39.5
Telecommunications transceiver	–	–	–	–	51,004	22.4
Others	(313,292)	(22.9)	(849,035)	(80.1)	(539,627)	(46.8)
Total/Overall(1)	**4,680,207**	**13.9**	**4,216,678**	**11.5**	**4,964,288**	**12.4**

Notes:

(1) The overall gross margin is calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(2) Gross profit and gross profit margin of the optical transceiver operating segment for 2025 represents the period from October 1, 2025 to December 31, 2025, as Source Photonics was consolidated into our financial statements in October, 2025.

Our gross profit and gross profit margin increased from 2024 to 2025, primarily due to increases in revenue from acquisition of Source Photonics and sales of RPCBs and Rigid-Flexes with higher gross margins and margin improvement in touch panels and LCMs.

Our gross profit and gross profit margin decreased from 2023 to 2024, primarily due to a decline in gross profit from electronic circuits, mainly driven by higher manufacturing costs associated with the ramp-up of certain new product types and higher raw material prices, as well as higher losses in others that mainly attributable to LED display products.

General and Administrative Expenses

Our administrative expenses primarily include (i) employee benefit expenses, including salaries and other compensations for personnel engaging in the general and administrative function, (ii) tax and surcharges, (iii) depreciation and amortization and (iv) office expenses and business development fees.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Employee benefit expenses	467,680	41.6	588,115	44.8	687,298	44.0
Depreciation and amortization	162,587	14.5	169,669	12.9	173,484	11.1
Consulting services fee[1]	79,811	7.1	79,760	6.1	161,221	10.3
Office expenses and business development fees	154,297	13.7	158,947	12.1	168,427	10.8
Tax and surcharges	168,404	15.0	202,082	15.4	149,466	9.6
Auditor's services	2,264	0.2	2,264	0.2	2,264	0.1
Others	89,686	8.0	111,696	8.5	220,397	14.1
Total	**1,124,729**	**100.0**	**1,312,533**	**100.0**	**1,562,557**	**100.0**
as % of total revenue		*3.3*		*3.6*		*3.9*

Note:

(1) Consulting services fees mainly include fees paid to third-party professional service providers in connection with our corporate and administrative matters.

Selling and Marketing Expenses

Our selling and marketing expenses primarily include (i) employee benefit expenses, including salaries and other compensations for personnel engaging in the sales and marketing function, (ii) sales service fees and (iii) travel and business development expenses. Our sales service fees increased from 2023 to 2024, primarily due to higher sample-related costs incurred in providing products to customers for evaluation and testing.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Employee benefit expenses	203,488	56.2	237,489	52.3	245,857	55.2
Sales service fees[1]	63,214	17.5	109,217	24.1	93,859	21.1
Travel and business development expenses	35,608	9.8	43,647	9.6	45,210	10.2
Export charges	17,421	4.8	18,462	4.1	15,160	3.4
Depreciation and amortization	3,075	0.8	3,849	0.8	4,570	1.0
Others	39,288	10.9	41,354	9.1	40,490	9.1
Total	**362,094**	**100.0**	**454,018**	**100.0**	**445,146**	**100.0**
as % of total revenue		*1.1*		*1.2*		*1.1*

Notes:

(1) Sales service fees mainly include expenses incurred to promote our product sales.

Research and Development Expenses

Our research and development expenses primarily comprise (i) employee benefit expenses, including salaries and other compensations for personnel engaging in the research and development function and (ii) raw material costs.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Employee benefit expenses	499,167	43.0	510,712	40.3	630,024	44.5
Raw material costs	476,991	41.1	548,168	43.3	557,090	39.3
Depreciation and amortization	86,545	7.5	98,436	7.8	124,534	8.8
Others	98,487	8.4	109,497	8.6	105,579	7.5
Total	**1,161,190**	**100.0**	**1,266,813**	**100.0**	**1,417,227**	**100.0**
as % of total revenue		*3.5*		*3.4*		*3.5*

Net Impairment Losses on Financial Assets

Our impairment losses under expected credit loss model, net of reversal, represent net impairment losses recognized on trade receivables, notes receivables and other receivables. In 2023, 2024 and 2025, our provision of impairment loss amounted to RMB39.4 million, RMB44.1 million and RMB63.7 million, respectively.

Other Income

Our other income consists of (i) government grants, (ii) additional deduction for VAT and tax refund and (iii) others. The Group's government grants mainly comprise (i) asset-related grants, primarily local investment-incentive subsidies and (ii) income-related grants, primarily one-off policy incentive subsidies such as for technical upgrades and local economic contributions.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Government grants	236,941	94.8	489,587	93.6	359,263	99.0
Additional deduction for VAT and tax refund	11,138	4.5	32,688	6.2	1,399	0.4
Others	1,803	0.7	981	0.2	2,106	0.6
Total	**249,882**	**100.0**	**523,256**	**100.0**	**362,768**	**100.0**
as % of total revenue		*0.7*		*1.4*		*0.9*

Other Gains, Net

Our other gains primarily consist of (i) net gains/(losses) on disposal and holding of financial instruments, (ii) net fair value losses on financial assets and liabilities at FVTPL, (iii) net foreign exchange differences and (iv) net losses on disposal of property, plant and equipment and other long-term assets.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Net gains/(losses) on disposal and holding of financial instruments	14,979	6.2	4,232	49.9	(3,357)	(4.4)
Net fair value gains/(losses) on financial assets and liabilities at FVTPL	(9,741)	(4.0)	(17,898)	(211.0)	62,022	81.2
Net foreign exchange differences	129,905	53.4	294,655	3,475.1	(27,373)	(35.9)
Net losses on disposal of property, plant and equipment and other long-term assets	(26,368)	(10.8)	(243,093)	(2,867.0)	(379,287)	(496.7)
Net losses on disposal of subsidiaries and associates	–	–	(25,868)	(305.1)	(5,003)	(6.6)
Gains on business combination	134,813	55.4	–	–	470,698	616.5
Others	(398)	(0.2)	(3,549)	(41.9)	(41,354)	(54.1)
Total	**243,190**	**100.0**	**8,479**	**100.0**	**76,346**	**100.0**
as % of total revenue		*0.7*		*0.0*		*0.2*

Finance Costs, Net

Our finance cost, net primarily consists of (i) interest expenses on borrowings, (ii) interest expenses on lease liabilities and (iii) net exchange losses on foreign currency borrowings. Our finance income primarily derives from interest income from financial assets held for cash management purposes.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Finance Income						
Interest income from financial assets held for cash management purposes	225,594	82.2	243,072	119.8	200,834	89.9
Finance Cost						
Interest expenses on lease liabilities	93,255	(34.0)	69,674	(34.4)	111,289	(49.8)
Interest expenses on borrowings	370,434	(134.9)	392,560	(193.5)	336,332	(150.6)
Net exchange losses/(gains) on foreign currency borrowings	36,506	(13.3)	7,676	(3.8)	(19,251)	8.6
Less: capitalized finance costs	–	–	24,008	11.8	4,145	1.9
Finance costs total	**500,195**	**(182.2)**	**445,902**	**(219.8)**	**424,225**	**(189.9)**
Finance costs, net	**274,601**	**(100.0)**	**202,830**	**(100.0)**	**223,391**	**(100.0)**
as % of total revenue		*0.8*		*0.6*		*0.6*

Income Tax Expense

Our income tax expenses comprise current tax and deferred tax. We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the members of our Company are domiciled and operate. Entities established in the PRC were subject to the PRC corporate income tax rate of 25% during the Track Record Period. Certain subsidiaries of ours have obtained High and New Technology Enterprises certification and thus they are entitled to a preferential corporate income tax rate of 15% for certain years during the Track Record Period. The provision for Hong Kong Profits Tax for the Track Record Period was calculated at 16.5% of the estimated assessable profits for the periods. The provision for Singapore Profits Tax for the Track Record Period was calculated at 17.0% of the estimated assessable profits for the periods; a certain subsidiary of ours in Singapore is eligible for concessionary corporate income tax rate under the Development and Expansion Incentive administered by Singapore's Economic Development Board. France profits tax has been provided for at the rate of 25.825% on the estimated assessable profits for the two months during the November 1, 2025 to December 31, 2025. See Note 12 to "Appendix IA — Accountants' Report of the Group" for tax rates in other jurisdictions in which we operate.

We recorded income tax expenses of RMB226.0 million, RMB382.7 million and RMB297.4 million in 2023, 2024 and 2025, respectively. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

	Year Ended December 31,		
	2024	2025	% Change
	(in RMB thousands, except for percentages)		
Electronic circuits (PCBs)	24,800,814	25,620,293	3.3
FPC	21,589,392	21,875,481	1.3
RPCB	2,842,974	3,228,771	13.6
Rigid-Flex	368,448	516,041	40.1
Precision components	4,540,319	5,930,242	30.6
Automotive component	3,289,989	5,166,701	57.0
Telecommunications equipment component	1,250,330	763,541	(38.9)
Touch panels and LCMs	6,369,925	5,985,629	(6.0)
Touch panel	2,211,679	2,445,030	10.6
LCD & OLED module	4,158,246	3,540,599	(14.9)
Optical transceiver	–	1,435,535	N/A
Data center transceiver	–	1,207,623	N/A
Telecommunications transceiver	–	227,912	N/A
Others*	1,059,316	1,153,160	8.9
Total	**36,770,374**	**40,124,859**	**9.1**

Note:

* Mainly attributable to the sales of LED display products, raw and scrap materials and other ancillary businesses.

* "N/A" indicates not applicable, as Source Photonics was consolidated into the Group since October 1, 2025.

Sales Volume and Average Selling Price

	Year Ended December 31,			
	2024		2025	
	Sales volume *('000 sq. m./unit)*	Average selling price *(RMB / sq. m./unit)*	Sales volume *('000 sq. m./unit)*	Average selling price *(RMB / sq. m./unit)*
Electronic circuits (PCBs)	5,544.3	4,473.2	6,693.5	3,827.6
FPC	4,314.1	5,004.4	5,128.8	4,265.2
RPCB	1,163.9	2,442.6	1,481.4	2,179.5
Rigid-Flex	66.3	5,553.9	83.3	6,195.0
Precision components	142,829.0	31.8	183,720.2	32.3
Automotive component	137,125.2	24.0	180,230.0	28.7
Telecommunications equipment component	5,703.8	219.2	3,490.2	218.8
Touch panels and LCMs	31,785.4	200.4	27,445.6	218.1
Touch panel	4,877.8	453.4	5,395.2	453.2
LCD & OLED module	26,907.6	154.5	22,050.4	160.6
Optical transceiver	N/A	N/A	2,793.3	513.9
Data center transceiver	N/A	N/A	896.8	1,346.6
Telecommunications transceiver	N/A	N/A	1,896.5	120.2

Note:

* "N/A" indicates not applicable, as Source Photonics was consolidated into the Group since October 1, 2025.

Electronic Circuits (PCBs)

Our electronic circuit revenue increased by 3.3% from RMB24,800.8 million in 2024 to RMB25,620.3 million in 2025, mainly due to increases in revenue from the sales of RPCBs and Rigid-Flexes attributable to strong downstream demand.

FPC

Our revenue from the sales of FPCs increased by 1.3% from RMB21,589.4 million in 2024 to RMB21,875.5 million in 2025, primarily due to an increase in sales volume from 4,314.1 thousand square meters in 2024 to 5,128.8 thousand square meters in 2025, driven by strong demand in automotive and consumer electronics. The effect of such increase was partially offset by a decrease in average selling price from RMB5,004.4 per square meter in 2024 to RMB4,265.2 per square meter in 2025, primarily attributable to increased orders for automotive products, which generally have lower unit prices due to fewer components per unit and lower circuit density per unit area, as well as adjustments in product specifications in response to our customers' needs in consumer electronics.

RPCB

Our revenue from the sales of RPCBs increased by 13.6% from RMB2,843.0 million in 2024 to RMB3,228.8 million in 2025, primarily due to an increase in sales volume from 1,163.9 thousand square meters in 2024 to 1,481.4 thousand square meters in 2025, driven by increased customer demand in AI computing and consumer electronics sectors. The effect of such increase was partially offset by a decrease in average selling price from RMB2,442.6 per square meter in 2024 to RMB2,179.5 per square meter in 2025, driven by overall market price reductions.

Rigid-Flex

Our revenue from the sales of Rigid-Flexes increased by 40.1% from RMB368.4 million in 2024 to RMB516.0 million in 2025, primarily due to an increase in sales volume from 66.3 thousand square meters in 2024 to 83.3 thousand square meters in 2025, driven by strong downstream demand from the consumer electronics as well as the increase in average selling price.

Precision Components

Our precision components revenue increased by 30.6% from RMB4,540.3 million in 2024 to RMB5,930.2 million in 2025, primarily due to increases in revenue from the sales of automotive components driven by volume growth and the GMD acquisition, partially offset by lower sales of telecommunications equipment components as we scaled back this business.

Automotive Component

Our revenue from the sales of automotive components increased by 57.0% from RMB3,290.0 million in 2024 to RMB5,166.7 million in 2025, primarily due to the GMD acquisition, which expanded into the European market and further strengthened our market position in the global automotive components sector and an increase in sales volume from 137.1 million units in 2024 to 180.2 million units in 2025.

Telecommunications Equipment Component

Our revenue from the sales of telecommunications equipment components decreased by 38.9% from RMB1,250.3 million in 2024 to RMB763.5 million in 2025, primarily due to a decrease in sales volume from 5.7 million units in 2024 to 3.5 million units in 2025, primarily attributable to our strategic scaling back of the business driven by a slowdown in global 5G infrastructure investments due to supply chain considerations. The average selling price of our telecommunications equipment components remained relatively stable.

Touch Panels and LCMs

Our touch panels and LCMs revenue decreased by 6.0% from RMB6,369.9 million in 2024 to RMB5,985.6 million in 2025, primarily due to a decrease in revenue from the sales of LCD & OLED modules driven by reduced overall volumes as we shifted focus toward higher-priced products, partially offset by an increase in revenue from the sales of touch panels driven by the recovery in consumer electronics demand.

Touch Panel

Our revenue from the sales of touch panels increased by 10.6% from RMB2,211.7 million in 2024 to RMB2,445.0 million in 2025, primarily due to an increase in sales volume from 4.9 million units in 2024 to 5.4 million units in 2025, primarily driven by increasing penetration of touch-enabled laptops, which led to increased deliveries. The average selling price of our touch panel remained relatively stable.

LCD & OLED Module

Our revenue from the sales of LCD & OLED modules decreased by 14.9% from RMB4,158.2 million in 2024 to RMB3,540.6 million in 2025, primarily due to a decrease in sales volume from 26.9 million units in 2024 to 22.1 million units in 2025, as we scaled back our small form factor display modules and shifted towards large form factor OLED modules. For the same reason, our average selling price increased from RMB154.5 per unit in 2024 to RMB160.6 per unit in 2025.

Others

Our revenue from sales of other products increased by 8.9% from RMB1,059.3 million in 2024 to RMB1,153.2 million in 2025, mainly attributable to higher sales of scrap materials as a result of increased overall production volumes.

Cost of Sales

	Year ended December 31,		
	2024	**2025**	**% Change**
	(in RMB thousands, except for percentages)		
Raw material costs	24,609,326	26,073,628	6.0
Labor costs	3,066,899	3,699,332	20.6
Depreciation and amortization	1,750,630	2,216,798	26.6
Utility costs	447,675	541,117	20.9
Others	2,679,166	2,629,696	(1.8)
Total	**32,553,696**	**35,160,571**	**8.0**
as % of total revenue	*88.5*	*87.6*	

Our cost of sales increased by 8.0% from RMB32,553.7 million in 2024 to RMB35,160.6 million in 2025, largely in line with our revenue growth. In particular, our depreciation and amortization costs increased by 26.6% primarily due to certain of our new production lines were in ramp-up stage.

Gross Profit and Gross Profit Margin

	Year ended December 31,			
	2024		**2025**	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentages)			
Electronic circuits (PCBs)	4,440,360	17.9	4,268,623	16.7
FPC	3,830,957	17.7	3,536,560	16.2
RPCB	520,832	18.3	592,636	18.4
Rigid-Flex	88,571	24.0	139,427	27.0
Precision components	482,259	10.6	435,758	7.3
Automotive component	451,520	13.7	489,108	9.5
Telecommunications equipment component	30,739	2.5	(53,350)	(7.0)
Touch panels and LCMs	143,094	2.2	271,913	4.5
Touch panel	53,957	2.4	86,979	3.6
LCD & OLED module	89,137	2.1	184,934	5.2
Optical transceiver	–	–	527,621	36.8
Data center transceiver	–	–	476,617	39.5
Telecommunications transceiver	–	–	51,004	22.4
Others	(849,035)	(80.1)	(539,627)	(46.8)
Total/Overall	**4,216,678**	**11.5**	**4,964,288**	**12.4**

Electronic Circuits (PCBs)

Our electronic circuit gross profit decreased by 3.9% from RMB4,440.4 million in 2024 to RMB4,268.6 million in 2025, primarily due to a decrease in gross profit for FPC given change of product mix, partially offset by an increase in gross profit for RPCB and Rigid-Flex. The gross profit margin of our electronic circuits decreased from 17.9% in 2024 to 16.7% in 2025, primarily due to the decrease in gross profit margin from FPC.

FPC

Our gross profit from the sales of FPCs decreased by 7.7% from RMB3,831.0 million in 2024 to RMB3,536.6 million in 2025, primarily due to a decrease in gross profit margin from 17.7% in 2024 to 16.2% in 2025, mainly attributable to the change of product mix.

RPCB

Our gross profit from the sales of RPCBs increased by 13.8% from RMB520.8 million in 2024 to RMB592.6 million in 2025, primarily due to a 13.6% increase in revenue from sales of RPCBs driven by strong downstream demand. The gross profit margin of our RPCBs remained stable.

Rigid-Flex

Our gross profit from the sales of Rigid-Flexes increased by 57.4% from RMB88.6 million in 2024 to RMB139.4 million in the 2025, primarily due to (i) a 40.1% increase in revenue from sales of Rigid-Flexes and (ii) an increase in gross profit margin from 24.0% in 2024 to 27.0% in 2025, mainly attributable to higher capacity utilization.

Precision Components

Our precision components gross profit decreased by 9.6% from RMB482.3 million in 2024 to RMB435.8 million in 2025, primarily due to a decrease in gross profit from telecommunications equipment components. The gross profit margin of our precision components decreased from 10.6% in 2024 to 7.3% in 2025, primarily due to lower capacity utilization.

Automotive Component

Our gross profit from the sales of automotive components increased by 8.3% from RMB451.5 million in 2024 to RMB489.1 million in 2025, primarily due to a 57.0% increase in revenue from sales of automotive components, partially offset by a decrease in gross profit margin from 13.7% in 2024 to 9.5% in 2025, mainly due to lower capacity utilization during the ramp-up phase following our capacity expansion.

Telecommunications Equipment Component

We recorded a gross profit from the sales of telecommunications equipment components of RMB30.7 million in 2024 and a gross loss of RMB53.4 million in 2025, primarily due to (i) a 38.9% decrease in revenue from sales of telecommunications equipment components and (ii) the swing from a gross profit margin of 2.5% in 2024 to a gross loss margin of 7.0% in 2025, mainly attributable to lower capacity utilization resulting from our strategic scaling back of the business.

Touch Panels and LCMs

Our touch panels and LCMs gross profit increased by 90.0% from RMB143.1 million in 2024 to RMB271.9 million in 2025, primarily due to increases in gross profits from the sales of LCD & OLED modules. The gross profit margin of our touch panel and LCM products increased from 2.2% in 2024 to 4.5% in 2025, primarily due to an increase in gross profit margin in LCD & OLED modules.

Touch Panel

Our gross profit from the sales of the touch panels increased by 61.2% from RMB54.0 million in 2024 to RMB87.0 million in 2025, primarily due to (i) an increase in gross profit margin from 2.4% for 2024 to 3.6% for 2025, and (ii) a 10.6% increase in revenue from the sales of touch panels. These are the result of stronger demand of touch-enabled laptops, which drove higher sales volumes, improved capacity utilization and reduced unit costs.

LCD & OLED Module

Our gross profit from the sales of LCD & OLED modules increased by 107.5% from RMB89.1 million in 2024 to RMB184.9 million in 2025, primarily due to an increase in gross profit margin from 2.1% in 2024 to 5.2% in 2025, as we scaled back our small form factor display modules and shifted towards large form factor OLED modules, partially offset by a 14.9% decrease in revenue from sales of LCD & OLED modules.

Others

The gross loss from the sales of other products improved by 36.4% from a loss of RMB849.0 million in 2024 to a loss of RMB539.6 million in 2025, mainly attributable to an increase in the gross profit margin of the scrap material and a one-off write off in 2024.

General and Administrative Expenses

Our general and administrative expenses increased by 19.1% from RMB1,312.5 million in 2024 and RMB1,562.6 million in 2025, primarily due to (i) an increase of RMB99.2 million in employee benefit expenses, (ii) an increase of RMB81.5 million in consulting service fees and (iii) an increase of RMB108.7 million in others, partially offset by a decrease of RMB52.6 million in tax and surcharges. As a percentage of our total revenue, our general and administrative expenses increased from 3.6% in 2024 to 3.9% in 2025.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 2.0% from RMB454.0 million in 2024 to RMB445.1 million in 2025, primarily due to a decrease of RMB15.4 million in sales service fees. As a percentage of our total revenue, our selling and marketing expenses remained relatively stable at 1.2% in 2024 and 1.1% in 2025.

Research and Development Expenses

Our research and development expenses increased by 11.9% from RMB1,266.8 million in 2024 to RMB1,417.2 million in 2025, primarily due to (i) an increase of RMB119.3 million in employee benefit expenses and (ii) an increase of RMB26.1 million in depreciation and amortization. As a percentage of our total revenue, our research and development expenses remained stable at 3.4% in 2024 and 3.5% in 2025 for the same reasons.

Net Impairment Losses on Financial Assets

Our impairment losses under expected credit loss model, net of reversal, increased from a loss of RMB44.1 million in 2024 to a loss of RMB63.7 million in 2025, primarily due to higher impairment losses on trade receivables, mainly driven by specific provisions made for certain receivables in the LED segment following strategic adjustments and additional impairment provisions arising from the consolidation of GMD and Source Photonics.

Other Income

Our other income decreased by 30.7% from RMB523.3 million in 2024 to RMB362.8 million in 2025, due to (i) a decrease of RMB31.3 million in additional deduction for VAT and tax refund, (ii) a decrease of RMB130.3 million in government grants partially offset by an increase of RMB1.1 million in others.

Other Gains, Net

Our other gains, net increased by 800.4% from RMB8.5 million in 2024 to RMB76.3 million in 2025, primarily due to (i) an increase of RMB470.7 million in gains on business combination and (ii) a decrease of RMB20.9 million in net losses on disposal of subsidiaries and associates, partially offset by (i) an increase of RMB136.2 million in net losses on disposal of property, plant and equipment and other long-term assets, and (ii) a decrease of RMB322.0 million in net foreign exchange differences.

Finance Costs, net

Our net finance costs increased by 10.1% from RMB202.8 million in 2024 to RMB223.4 million in 2025, primarily due to (i) a decrease of RMB42.2 million in interest income from financial assets held for cash management purposes and (ii) an increase of RMB41.6 million in interest expenses on lease liabilities, partially offset by a decrease of RMB56.2 million in interest expenses on borrowings.

Income Tax Expense

Our income tax expenses decreased by 22.3% from RMB382.7 million in 2024 to RMB297.4 million in 2025, primarily due to the negative goodwill arising from the acquisition of GMD in 2025, which was income not subject to tax. In addition, the consolidation of Source Photonics contributed to a reduction in the overall effective tax rate at the subsidiary level.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 28.4% from RMB1,085.1 million in 2024 to RMB1,393.0 million in 2025 and our net profit margin increased from 3.0% in 2024 to 3.5% in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

	Year Ended December 31,		
	2023	2024	% Change
	(in RMB thousands, except for percentages)		
Electronic circuits (PCBs)	23,261,396	24,800,814	6.6
FPC	20,103,622	21,589,392	7.4
RPCB	2,845,766	2,842,974	(0.1)
Rigid-Flex	312,008	368,448	18.1
Precision components	4,162,217	4,540,319	9.1
Automotive component	2,942,208	3,289,989	11.8
Telecommunications equipment component	1,220,009	1,250,330	2.5
Touch panels and LCMs	4,861,904	6,369,925	31.0
Touch panel	1,646,294	2,211,679	34.3
LCD & OLED module	3,215,610	4,158,246	29.3
Others*	1,365,688	1,059,316	(22.4)
Total	**33,651,205**	**36,770,374**	**9.3**

Note:

* Mainly attributable to the sales of LED display products, raw and scrap materials and other ancillary businesses.

Sales Volume and Average Selling Price

	Year Ended December 31,			
	2023		2024	
	Sales volume *('000 sq. m./unit)*	**Average selling price** *(RMB/sq. m./unit)*	**Sales volume** *('000 sq. m./unit)*	**Average selling price** *(RMB/sq. m./unit)*
Electronic circuits (PCBs)	3,978.9	5,846.1	5,544.3	4,473.2
FPC	2,877.3	6,987.0	4,314.1	5,004.4
RPCB	1,032.9	2,755.1	1,163.9	2,442.6
Rigid-Flex	68.7	4,537.6	66.3	5,553.9
Precision components	106,339.8	39.1	142,829.0	31.8
Automotive component	101,821.9	28.9	137,125.2	24.0
Telecommunications equipment component	4,517.9	270.0	5,703.8	219.2
Touch panels and LCMs	26,663.7	182.3	31,785.4	200.4
Touch panel	4,110.4	400.5	4,877.8	453.4
LCD & OLED module	22,553.3	142.6	26,907.6	154.5

Electronic Circuits (PCBs)

Our electronic circuit revenue increased by 6.6% from RMB23,261.4 million in 2023 to RMB24,800.8 million in 2024, mainly due to increases in revenue from the sales of FPCs attributable to consistent demand in automotive and consumer electronics.

FPC

Our revenue from the sales of FPCs increased by 7.4% from RMB20,103.6 million in 2023 to RMB21,589.4 million in 2024, due to an increase in sales volume from 2.9 million square meters in 2023 to 4.3 million square meters in 2024, primarily as a result of increased orders from both new customers in the automotive sector and existing customers in the consumer electronics, partially offset by a decrease in average selling price from RMB6,987.0 per square meter in 2023 to RMB5,004.4 per square meter in 2024, primarily as a result of increased orders in automotive products, which generally have lower unit prices due to fewer components and lower circuit density per unit area, as well as adjustments in product specifications in response to our customers' needs.

RPCB

Our revenue from the sales of RPCBs decreased by 0.1% from RMB2,845.8 million in 2023 to RMB2,843.0 million in 2024, due to a decrease in average selling price from RMB2,755.1 per square meter in 2023 to RMB2,442.6 per square meter in 2024, primarily driven by market-driven price reductions, partially offset by an increase in sales volume from 1.0 million square meters in 2023 to 1.2 million square meters in 2024, primarily driven by consistent demand from consumer electronics.

Rigid-Flex

Our revenue from the sales of Rigid-Flexes increased by 18.1% from RMB312.0 million in 2023 to RMB368.4 million in 2024, due to an increase in average selling price from RMB4,537.6 per square meter in 2023 to RMB5,553.9 per square meter in 2024, primarily attributable to adjustments in product specifications that increased the number of components and interconnections per unit area, resulting in higher design complexity and processing requirements, which enabled us to command higher pricing per square meter. It is partially offset by a decrease in sales volume from 68.7 thousand square meters in 2023 to 66.3 thousand square meters in 2024.

Precision Components

Our precision components revenue increased by 9.1% from RMB4,162.2 million in 2023 to RMB4,540.3 million in 2024, mainly due to increases in revenue from the sale of automotive components attributable to increased production capacity and shipments to leading customers.

Automotive Component

Our revenue from the sales of automotive components increased by 11.8% from RMB2,942.2 million in 2023 to RMB3,290.0 million in 2024, due to an increase in sales volume from 101.8 million units in 2023 to 137.1 million units in 2024, primarily as a result of the ramp-up to mass production of our structural components for EV with higher shipments to leading customers, partially offset by a decrease in average selling price from RMB28.9 per unit in 2023 to RMB24.0 per unit in 2024, primarily as a result of a shift in product mix toward structural parts for batteries, which have lower unit prices.

Telecommunications Equipment Component

Our revenue from the sales of telecommunications equipment components increased by 2.5% from RMB1,220.0 million in 2023 to RMB1,250.3 million in 2024, due to an increase in sales volume from 4.5 million units in 2023 to 5.7 million units in 2024, primarily driven by slightly higher shipments in response to customer needs, partially offset by a decrease in average selling price from RMB270.0 per unit in 2023 to RMB219.2 per units in 2024, primarily due to pricing pressure driven by a slowdown in global 5G infrastructure spending.

Touch Panels and LCMs

Our touch panels and LCMs revenue increased by 31.0% from RMB4,861.9 million in 2023 to RMB6,369.9 million in 2024, due to higher sales of both touch panel and LCD and OLED modules, attributable to increased demand in automotive and consumer electronics.

Touch Panel

Our revenue from the sales of touch panels increased by 34.3% from RMB1,646.3 million in 2023 to RMB2,211.7 million in 2024, due to an increase in sales volume from 4.1 million units in 2023 to 4.9 million units in 2024 and an increase in average selling price from RMB400.5 per unit in 2023 to RMB453.4 per unit in 2024, primarily as a result of stronger demand from the consumer electronics sector.

LCD & OLED Module

Our revenue from the sales of LCD & OLED modules increased by 29.3% from RMB3,215.6 million in 2023 to RMB4,158.2 million in 2024, due to an increase in sales volume from 22.6 million units in 2023 to 26.9 million units in 2024 and an increase in average selling price from RMB142.6 per units in 2023 to RMB154.5 per units in 2024, primarily as a result of increased orders and shipments driven by stronger demand for automotive cockpits with larger screens and flexible display.

Others

The revenue of other products decreased by 22.4% from RMB1,365.7 million in 2023 to RMB1,059.3 million in 2024, mainly attributable to significant price reduction in LED display products driven by intensified industry competition.

Cost of Sales

	Year Ended December 31,		
	2023	2024	% Change
	(in RMB thousands, except for percentages)		
Raw material costs	22,000,279	24,609,326	11.9
Labor costs	2,781,864	3,066,899	10.2
Depreciation and amortization	1,464,854	1,750,630	19.5
Utility costs	430,961	447,675	3.9
Others	2,293,040	2,679,166	16.8
Total	**28,970,998**	**32,553,696**	**12.4**
as % of total revenue	*86.1*	*88.5*	

Our cost of sales increased by 12.4% from RMB28,971.0 million in 2023 to RMB32,553.7 million in 2024, primarily due to (i) an 11.9% increase in raw material costs, (ii) a 19.5% increase in depreciation and amortization, (iii) a 10.2% increase in labor costs and (iv) a 16.8% increase in others. Such increases were mainly driven by ramp up for new capacity, as well as costs associated with LED display business.

Gross Profit and Gross Profit Margin

	Year Ended December 31,			
	2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentages)			
Electronic circuits (PCBs)	4,715,951	20.3	4,440,360	17.9
FPC	4,079,160	20.3	3,830,957	17.7
RPCB	565,371	19.9	520,832	18.3
Rigid-Flex	71,420	22.9	88,571	24.0
Precision components	394,086	9.5	482,259	10.6
Automotive component	322,405	11.0	451,520	13.7
Telecommunications equipment component	71,681	5.9	30,739	2.5
Touch panels and LCMs	(116,538)	(2.4)	143,094	2.2
Touch panel	(130,853)	(7.9)	53,957	2.4
LCD & OLED module	14,315	0.4	89,137	2.1
Others	(313,292)	(22.9)	(849,035)	(80.1)
Total/Overall	**4,680,207**	**13.9**	**4,216,678**	**11.5**

Electronic Circuits (PCBs)

Our electronic circuit gross profit decreased by 5.8% from RMB4,716.0 million in 2023 to RMB4,440.4 million in 2024, primarily due to a decrease in gross profit from FPCs and RPCBs. The gross profit margin of our electronic circuit decreased from 20.3% in 2023 to 17.9% in 2024 due to a decrease in gross profit margin of FPCs and RPCBs.

FPC

Our gross profit from the sale of FPCs decreased by 6.1% from RMB4,079.2 million in 2023 to RMB3,831.0 million in 2024, primarily due to a decrease in gross profit margin from 20.3% in 2023 to 17.7% in 2024, mainly attributable to the ramp-up of certain new type of products for consumer electronics leading to yield variability and higher manufacturing costs, partially offset by a 7.4% increase in revenue from FPCs.

RPCB

Our gross profit from the sale of RPCBs decreased by 7.9% from RMB565.4 million in 2023 to RMB520.8 million in 2024, primarily due to a decrease in gross profit margin from 19.9% in 2023 to 18.3% in 2024, mainly attributable to higher commodity prices.

Rigid-Flex

Our gross profit from the sale of Rigid-Flexes increased by 24.0% from RMB71.4 million in 2023 to RMB88.6 million in 2024, primarily due to (i) an 18.1% increase in revenue from Rigid-Flexes and (ii) an increase in gross profit margin from 22.9% in 2023 to 24.0% in 2024, driven by a higher proportion of high-end Rigid-Flexes in our product mix.

Precision Components

Our precision components gross profit increased by 22.4% from RMB394.1 million in 2023 to RMB482.3 million in 2024, primarily due to increases in gross profits from automotive components. The gross profit margin of our precision components remained relatively stable.

Automotive Component

Our gross profit from the sale of automotive components increased by 40.0% from RMB322.4 million in 2023 to RMB451.5 million in 2024, primarily due to (i) a 11.8% increase in revenue from sales of automotive components and (ii) an increase in gross profit margin from 11.0% in 2023 to 13.7% in 2024, mainly attributable to improved capacity utilization and manufacturing efficiency, which lowered unit costs.

Telecommunications Equipment Component

Our gross profit from the sale of telecommunications equipment components decreased by 57.1% from RMB71.7 million in 2023 to RMB30.7 million in 2024, primarily due to a decrease in gross profit margin from 5.9% in 2023 to 2.5% in 2024, mainly attributable to pricing pressure, partially offset by a 2.5% increase in revenue from telecommunications equipment components.

Touch Panels and LCMs

We recorded a gross profit of RMB143.1 million in touch panels and LCMs in 2024 and a gross loss of RMB116.5 million in 2023, primarily due to increase in gross profit we recorded from the sales of both LCD & OLED modules and touch panels, which in turn was attributable to increased demand in automotive and consumer electronics. This resulted in a gross profit margin of 2.2% in 2024, compared with a gross loss margin of 2.4% in 2023.

Touch Panel

We recorded a gross loss of RMB130.9 million from the sales of touch panels in 2023 and a gross profit of RMB54.0 million in 2024, primarily due to (i) an change in gross margin from a gross loss margin of 7.9% in 2023 from a gross profit margin of 2.4% in 2024 and (ii) a 34.3% increase in revenue from sales of touch panel, mainly due to higher volumes that improved capacity utilization and reduced unit costs attributable to the recovery in consumer electronics demand and increased sales to new customers.

LCD & OLED Module

Our gross profit from the sales of LCD & OLED modules increased by 522.7% from RMB14.3 million in 2023 to RMB89.1 million in 2024, primarily due to (i) a 29.3% increase in revenue from sales of LCD & OLED modules and (ii) an increase in gross profit margin from 0.4% in 2023 to 2.1% in 2024, mainly attributable to synergies following our acquisition of Suzhou Display and a higher proportion of high-end products in our product mix.

Others

Our gross loss from other products increased by 171.0% from RMB313.3 million in 2023 to RMB849.0 million in 2024, primarily due to weaker demand in the LED display product industry, which led to lower capacity utilization and higher fixed cost per unit, as well as one-off write-downs.

General and Administrative Expenses

Our general and administrative expenses increased by 16.7% from RMB1,124.7 million in 2023 to RMB1,312.5 million in 2024, primarily due to (i) an increase of RMB120.4 million in employee benefit expenses, mainly as a result of a one-off charge related to the consolidation of production facilities, (ii) an increase of RMB33.7 million in tax and surcharges and (iii) an increase of RMB22.0 million in others. Our general and administrative expenses as a percentage of our total revenue increased from 3.3% in 2023 to 3.6% in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 25.4% from RMB362.1 million in 2023 to RMB454.0 million in 2024, primarily due to (i) an increase of RMB46.0 million in sales service fees, (ii) an increase of RMB34.0 million in employee benefit expenses and (iii) an increase of RMB8.0 million in travel and business development expenses, in line with our business growth. As a percentage of our revenue, our selling and marketing expenses have remained relatively stable at 1.1% in 2023 and 1.2% in 2024.

Research and Development Expenses

Our research and development expenses increased by 9.1% from RMB1,161.2 million in 2023 to RMB1,266.8 million in 2024, due to (i) an increase of RMB71.2 million in raw material costs, (ii) an increase of RMB11.9 million in depreciation and amortization, (iii) an increase of RMB11.5 million in employee benefit expenses and (iv) an increase of RMB11.0 million in others, in line with our business growth and sustained commitment in R&D. Our research and development expenses as a percentage of our total revenue remained relatively stable at 3.5% in 2023 and 3.4% in 2024.

Net Impairment Losses on Financial Assets

Our impairment losses under expected credit loss model, net of reversal, increased from RMB39.4 million in 2023 to RMB44.1 million in 2024, primarily due to an increased balance of trade receivables as of December 31, 2024 compared to December 31, 2023.

Other Income

Our other income increased by 109.4% from RMB249.9 million in 2023 to RMB523.3 million in 2024, primarily due to (i) an increase in government grants amounting to RMB252.6 million and (ii) an increase of RMB21.6 million in additional deduction for VAT and tax refund, partially offset by a decrease of RMB0.8 million in others.

Other Gains, Net

Our other gains, net decreased by 96.5% from RMB243.2 million in 2023 to RMB8.5 million in 2024, primarily due to (i) an increase of RMB216.7 million in net losses on disposal of property, plant and equipment and other long-term assets, (ii) an decrease of RMB134.8 million in gains on business combination relating to our acquisition of Suzhou Display and (iii) an increase of RMB25.9 million in net losses on disposal of subsidiaries, partially offset by an increase of RMB164.8 million in net foreign exchange gains.

Finance Costs, net

Our finance costs decreased by 26.1% from RMB274.6 million in 2023 to RMB202.8 million in 2024, primarily due to (i) a decrease of RMB28.8 million in net exchange losses on foreign currency borrowings and (ii) a decrease of RMB23.6 million in interest expenses on lease liabilities due to lease expiries, partially offset by an increase of RMB22.1 million in interest expenses on borrowings driven by expanded borrowings.

Income Tax Expense

Our income tax expenses increased by 69.3% from RMB226.0 million in 2023 to RMB382.7 million in 2024, primarily due to (i) a decrease from a deferred income tax benefit of RMB241.2 million in 2023 to a deferred income tax expense of RMB181.0 million in 2024, due to unused tax losses were not recognized as deferred tax assets, and (ii) a decrease in deduction effect of RMB 257.7 million to RMB 121.3 million, mainly attributable to variations between the statutory tax rates applicable to certain subsidiaries and the parent company's tax rate.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 44.8% from RMB1,965.1 million in 2023 to RMB1,085.1 million in 2024, and our net margin decreased from 5.8% in 2023 to 3.2% in 2024.

DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,		
	2023	**2024**	**2025**
	(in RMB thousands)		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15,309,501	17,272,871	20,160,205
Investment properties	1,039	781	142,555
Right-of-use assets	1,588,132	1,772,723	2,495,668
Deferred tax assets	586,003	465,911	829,763
Trade receivables	–	–	280,287
Intangible assets	2,473,057	2,344,753	5,602,244
Investments in associates	155,407	155,009	126,566
Equity investments at fair value through other comprehensive income	278,157	333,657	442,976
Prepayments and other receivables	945,051	530,838	1,533,489
Other non-current assets	26,662	19,414	9,268
Total non-current assets	**21,363,009**	**22,895,957**	**31,623,021**
Current assets			
Inventories	6,293,879	6,152,656	8,928,944
Prepayments and other receivables	438,493	578,312	939,991
Trade and notes receivables	7,716,572	7,672,495	9,792,745
Financial assets at fair value through profit or loss	128,752	63,212	136,428
Notes receivables at fair value through other comprehensive income	290,477	252,612	285,278
Restricted cash and term deposits	1,545,549	1,828,731	1,545,561
Cash and cash equivalents	5,644,487	5,343,600	6,104,723
Derivative financial assets	17,389	14,932	65,126
Other current assets	370,146	771,242	828,721
Total current assets	**22,445,744**	**22,677,792**	**28,627,517**

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Current liabilities			
Borrowings	7,623,119	7,138,100	10,970,771
Trade and notes payables	8,948,278	10,594,850	14,045,950
Contract liabilities	28,983	122,562	474,661
Lease liabilities	29,698	131,842	500,891
Current income tax liabilities	425,307	342,390	513,181
Accruals and other payables	931,924	772,104	1,856,840
Derivative financial liabilities	33,347	11,038	46,546
Provisions	–	–	17,813
Other current liabilities	6,556	5,191	26,025
Total current liabilities	**18,027,212**	**19,118,077**	**28,452,678**
Net current assets	4,418,532	3,559,715	174,839
Total assets less current liabilities	25,781,541	26,455,672	31,797,860
Non-current liabilities			
Borrowings	4,706,280	5,289,188	6,375,079
Lease liabilities	1,842,799	1,351,519	1,790,065
Deferred tax liabilities	199,155	262,220	634,807
Deferred income	733,457	585,934	889,843
Accruals and other payables	48,708	22,449	142,470
Provisions	60,785	58,259	263,757
Total non-current liabilities	**7,591,184**	**7,569,569**	**10,096,021**
Net assets	**18,190,357**	**18,886,103**	**21,701,839**
EQUITY			
Equity attributable to owner of the Company			
Share capital	1,709,867	1,705,914	1,831,608
Treasury shares	(125,907)	(74,992)	(175,076)
Other reserves	7,533,971	7,907,421	9,266,211
Retained earnings	9,025,096	9,288,044	10,538,406
Non-controlling interests	47,330	59,716	240,690
Total equity	**18,190,357**	**18,886,103**	**21,701,839**

Property, Plant and Equipment

Property, plant, and equipment primarily consisted of property and buildings, land, machinery, transportation vehicle, electronic equipment, construction in progress and leasehold improvement. The following table sets forth the breakdown of our property, plant, and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Buildings	2,907,307	3,560,257	4,810,546
Machinery equipment	9,182,196	9,753,385	11,422,734
Motor vehicles	27,402	37,821	25,880
Other equipment	298,346	243,728	327,601
Freehold land	193,543	206,623	243,464
Construction in progress	1,842,525	2,575,154	2,345,985
Leasehold improvement	858,182	895,903	983,995
Total	**15,309,501**	**17,272,871**	**20,160,205**

Property, plant, and equipment increased from RMB15,309.5 million as of December 31, 2023 to RMB17,272.9 million as of December 31, 2024 primarily due to increase in construction in progress and buildings, which reflected the further expansion of our production capacity to meet the increasing demand. It further increased to RMB20,160.2 million as of December 31, 2025, primarily due to an increase in machinery equipment and buildings resulting from the acquisition of Source Photonics and GMD. For details on our production facilities, see "Business — Production and Manufacturing — Production Facilities."

Inventories

Our inventories include raw materials, finished goods, and work in progress. The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Raw materials	1,137,853	1,654,515	2,758,783
Work in progress	891,175	1,003,085	2,333,780
Finished goods	4,974,174	4,503,261	4,985,685
Consumable materials	9,967	2,516	100,292
Less: provision for impairment	(719,290)	(1,010,721)	(1,249,596)
Total	**6,293,879**	**6,152,656**	**8,928,944**

Our inventories decreased from RMB6,293.9 million as of December 31, 2023 to RMB6,152.7 million as of December 31, 2024, primarily due to (i) a decrease in finished goods from RMB4,974.2 million as of December 31, 2023 to RMB4,503.3 million as of December 31, 2024, (ii) an increase in provision for impairment from RMB719.3 million as of December 31, 2023 to RMB1,010.7 million as of December 31, 2024 and (iii) a decrease of consumable materials from RMB10.0 million as of December 31, 2023 to RMB2.5 million as of December 31, 2024, partially offset by (i) an increase in raw materials from RMB1,137.9 million as of December 31, 2023 to RMB1,654.5 million as of December 31, 2024 as our operational scale continued to grow and the unit prices of certain finished goods rose and (ii) an increase in work in progress from RMB891.2 million as of December 31, 2023 to RMB1,003.1 million as of December 31, 2024, driven by higher production.

Our inventories increased from RMB6,152.7 million as of December 31, 2024 to RMB8,928.9 million as of December 31, 2025, primarily due to (i) an increase in work in progress from RMB1,003.1 million as of December 31, 2024 to RMB2,333.8 million as of December 31, 2025 and (ii) an increase in raw materials from RMB1,654.5 million as of December 31, 2024 to RMB2,758.8 million as of December 31, 2025. These increases were primarily driven by higher production resulting from the acquisition of Source Photonics and GMD, partially offset by an increase in provision for impairment from RMB1,010.7 million as of December 31, 2024 to RMB1,249.6 million as of December 31, 2025.

The table below sets forth an aging analysis of our inventory as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Within one year	6,607,641	6,711,719	9,407,505
Over one year	405,529	451,658	771,035
Total	7,013,170	7,163,377	10,178,540

The table below sets forth the turnover days of our inventories for the years indicated.

	Year Ended December 31,		
	2023	2024	2025
Inventory turnover days*	77	69	70

Note:

* Inventory turnover days for each year equals the average of the beginning and weighted average ending balances of inventory for that year divided by cost of sales for that year and multiplied by 360 days for 2023, 2024, and 2025.

During the Track Record Period, our inventory turnover days decreased from 2023 to 2024, in line with our growth. Our inventory turnover days relatively stable from 69 to 70 from 2024 to 2025.

As of March 31, 2026, 84.0% of our total inventories as of December 31, 2025, or RMB8,545.1 million, were utilized or sold. Based on our assessments during the Track Record Period, we have made adequate provisions for our inventories to account for potential uncertainties.

Trade and Notes Receivables

Trade and notes receivables mainly arise from sales of our products on credit. We periodically conduct credit evaluations of customers who trade on credit. We usually grant credit periods based on their credit risk characteristics, which is consistent with industry practice.

The table below sets forth the breakdown of our trade and notes receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Trade receivables	8,194,146	7,960,638	10,482,511
Notes receivables	3,425	9,083	–
Less: credit loss allowance	(480,999)	(297,226)	(409,479)
Total	**7,716,572**	**7,672,495**	**10,073,032**

Our trade and notes receivables decreased from RMB7,716.6 million as of December 31, 2023 to RMB7,672.5 million as of December 31, 2024, mainly due to improved customer collections and the write-off of receivables assessed as uncollectible. It increased to RMB10,073.0 million as of December 31, 2025, resulting from the acquisition of Source Photonics and GMD.

The table below sets forth an aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Within 6 months	7,444,151	7,558,742	9,816,164
7 to 12 months	78,620	111,118	145,140
1 to 2 years	285,296	30,428	230,589
2 to 3 years	16,989	42,084	26,777
Over 3 years	369,090	218,266	263,841
Total	**8,194,146**	**7,960,638**	**10,482,511**

For further details, see Note 24 to "Appendix IA — Accountants' Report of the Group."

The table below sets forth the turnover days of our trade and notes receivables for the years indicated.

	Year Ended December 31,		
	2023	2024	2025
Trade and notes receivables turnover days[(1)]	79	75	71

Note:

(1) Trade and notes receivables turnover days for each year equals the average of the beginning and weighted average ending balances of trade and notes receivables for that year divided by revenue for that year and multiplied by 360 days for 2023, 2024, and 2025.

During the Track Record Period, our trade and notes receivables turnover days continued to decrease, primarily due to the short collection cycle of customers receivables.

As of March 31, 2026, 86.9% of our total trade and notes receivables as of December 31, 2025, or RMB9,111.7 million, were settled.

Trade and Notes Payables

Our trade and notes payables primarily represent outstanding amounts owed to third parties, including payables for raw materials and equipment. Our suppliers usually grant us a credit period ranging from 30 to 90 days from invoice date.

The table below sets forth the breakdown of our trade and notes payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Trade payables	8,039,107	9,659,269	13,043,137
Notes payables	909,171	935,581	1,002,813
Total	**8,948,278**	**10,594,850**	**14,045,950**

During the Track Record Period, our trade and notes payables increased by 18.4% from RMB8,948.3 million as of December 31, 2023 to RMB10,594.9 million as of December 31, 2024, as result of increased purchases, in line with our business expansion. Our trade and notes payables increased by 32.6% from RMB10,594.9 million as of December 31, 2024 to RMB14,046.0 million as of December 31, 2025 resulting from the acquisition of Source Photonics and GMD.

The table below sets forth the aging analysis of the trade and notes payables.

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Within 1 year	7,691,012	9,271,713	12,455,037
1 to 2 years	254,469	282,433	351,898
2 to 3 years	34,364	50,757	102,999
Over 3 years	59,262	54,366	133,203
Total	**8,039,107**	**9,659,269**	**13,043,137**

The table below sets forth the turnover days for the trade and notes payables for the years indicated.

	Year Ended December 31,		
	2023	2024	2025
Trade and notes payables turnover days*	105	108	117

Note:

* Trade and notes payables turnover days for each year equals the average of the beginning and weighted average ending balances of trade and notes payables for that year divided by cost of sales for that year and multiplied by 360 days for 2023, 2024, and 2025.

During the Track Record Period, our trade and notes payable turnover days remained stable from 2023 to 2024. Our trade and notes payable turnover days increased to 117 days as of December 31, 2025, primarily due to the a higher balance of payables for Source Photonics, which carry longer credit terms.

As of March 31, 2026, 77.3% of our trade and notes payables outstanding as of December 31, 2025, or RMB10,854.6 million, were settled.

Goodwill

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Carrying values	2,162,697	2,077,474	4,769,258

Goodwill acquired in a business combination of MFLEX, Multek, Mutto Optronics, Suzhou RF Top Electric Communications Co., Ltd ("**Suzhou RF**") and Source Photonics is tested for impairment annually. For the purposes of impairment testing, goodwill has been allocated to cash-generated unit ("**CGU**") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Our management conducted an impairment testing on the goodwill according to IAS 36 Impairment of assets, which requires the Company to allocate the goodwill to the CGU and compare the unit's carrying amount with its recoverable amount. The goodwill represented to the CGU attributed from MFLEX is RMB1,770.8 million, RMB1,770.8 million and RMB1,770.8 million as of December 31, 2023, 2024 and 2025, respectively. The goodwill represented to the CGU attributed from Multek is RMB179.3 million and RMB179.3 million and RMB179.3 million as of December 31, 2023, 2024 and 2025, respectively. The goodwill represented to the CGU attributed from Mutto Optronics is RMB86.5 million, RMB38.1 million and nil as of December 31, 2023, 2024 and 2025 respectively. The goodwill represented to the CGU attributed from Suzhou RF is RMB126.1 million, RMB89.3 million and RMB20.1 million as of December 31, 2023, 2024 and 2025, respectively. The goodwill represented to the CGU attributed from Source Photonics is RMB2,799.0 million in 2025.

Restricted Cash and Term Deposits

We had restricted bank deposits of RMB1,545.5 million, RMB1,828.7 million and RMB1,545.6 million as of December 31, 2023, 2024 and 2025, primarily related to term deposits and security deposits for bank's acceptance.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through a combination of cash generated from operations and borrowings. As of December 31, 2025, we had cash and cash equivalents of RMB6,104.7 million. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operations and net **[REDACTED]** from the **[REDACTED]**.

Taking into account the financial resources available to us, including anticipated cash flows from our operating activities, existing cash and cash equivalents, new borrowings and the estimated net **[REDACTED]** from the **[REDACTED]**, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Document.

Cash Flows

The table below sets forth our cash flows for the years indicated.

	Year Ended December 31,		
	2023	**2024**	**2025**
	(in RMB thousands)		
Cash flows from operating activities			
Cash generated from operations	5,077,989	4,979,671	4,968,075
Interest received	210,139	243,072	200,834
Income tax paid	(247,460)	(244,094)	(266,579)
Net cash generated from operating activities	**5,040,668**	**4,978,649**	**4,902,330**
Net cash used in investing activities	(4,707,153)	(4,086,316)	(7,878,380)
Net cash generated from/(used in) financing activities	(242,546)	(1,319,368)	3,749,395
Net increase/(decrease) in cash and cash equivalents	**90,969**	**(427,035)**	**773,345**
Cash and cash equivalents at beginning of the year	5,457,027	5,644,487	5,343,600
Effects of exchange rate changes on cash and cash equivalents	96,491	126,148	(12,222)
Cash and cash equivalents at end of the year	**5,644,487**	**5,343,600**	**6,104,723**

Operating Activities

In 2025, we had net cash generated from operating activities of RMB4,902.3 million. This was primarily attributable to our profit before income tax of RMB1,690.4 million, adjusted for items mainly including (i) non-operating and non-cash items, primarily comprising (a) depreciation and amortization of non-current assets of RMB2,519.4 million, (b) impairment provision for inventories of RMB580.7 million and (c) finance cost of RMB443.5 million, and (ii) changes in working capital, primarily comprising (a) an increase in receivables of RMB3,142.8 million, (b) an increase in payables of RMB3,540.7 million and (c) an increase in inventories of RMB504.5 million.

In 2024, we had net cash generated from operating activities of RMB4,978.6 million. This was primarily attributable to our profit before income tax of RMB1,467.7 million, adjusted for items mainly including (i) non-operating and non-cash items, primarily comprising (a) depreciation and amortization of non-current assets of RMB2,558.7 million, (b) impairment provision for inventories of RMB454.7 million and (c) net foreign exchange gains of RMB294.7 million, and (ii) changes in working capital, primarily comprising (a) an increase in receivables of RMB446.0 million, (b) an increase in inventories of RMB463.4 million and (c) an increase in payables of RMB706.3 million.

In 2023, we had net cash generated from operating activities of RMB5,040.7 million. This was primarily attributable to our profit before income tax of RMB2,191.1 million, adjusted for items mainly including (i) non-operating and non-cash items, primarily comprising (a) depreciation and amortization of non-current assets of RMB2,249.4 million, (b) finance cost of RMB464.9 million and (c) net foreign exchange gains of RMB129.9 million and (ii) changes in working capital, primarily comprising (a) an increase in payables of RMB401.5 million, (b) a decrease in receivables of RMB268.3 million and (c) an increase in inventories of RMB528.2 million.

Investing Activities

In 2025, we had net cash used in investing activities of RMB7,878.4 million, primarily consisting of payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB4,383.3 million, and net outflow of cash from the acquisition of subsidiaries. Partially offset by (i) withdraw of term deposits and wealth management products of RMB1,330.1 million and (ii) proceeds of deposits for purchase of investments of RMB505.3 million, and (iii) government grant received in relation to assets of RMB404.8 million.

In 2024, we had net cash used in investing activities of RMB4,086.3 million, primarily consisting of (i) payments for purchase of property, plant and equipment, intangible assets of RMB3,792.1 million and (ii) placement of term deposits and wealth management products of RMB1,593.0 million, partially offset by (i) withdraw of term deposits and wealth management products of RMB986.2 million and (ii) proceeds of deposits for purchase of investments of RMB230.2 million.

In 2023, we had net cash used in investing activities of RMB4,707.2 million, primarily consisting (i) payments for purchase of property, plant and equipment, intangible assets of RMB3,466.9 million and (ii) placement of term deposits and wealth management products of RMB1,182.2 million, partially offset by withdraw of term deposits and wealth management products of RMB1,003.2 million.

Financing Activities

In 2025, we had net cash generated from financing activities of RMB3,749.4 million, primarily consisting of (i) proceeds from borrowings of RMB12,749.1 million and (ii) capital contributions from the Company's shareholders of RMB1,391.6 million, partially offset by repayments of borrowings of RMB9,508.2 million.

In 2024, we had net cash used in financing activities of RMB1,319.4 million, primarily consisting of (i) repayment of borrowings of RMB10,035.3 million and (ii) principal elements of lease payments of RMB644.3 million, partially offset by proceeds from borrowings of RMB10,128.6 million.

In 2023, we had net cash used in financing activities of RMB242.5 million, primarily consisting of (i) repayment of borrowings of RMB13,925.4 million and (ii) interest paid of RMB379.6 million, partially offset by proceeds from borrowings of RMB14,094.9 million.

Net Current Assets

The table below sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	(in RMB thousands)			*(unaudited)*
Current assets:				
Inventories	6,293,879	6,152,656	8,928,944	9,653,590
Prepayments and other receivables	438,493	578,312	939,991	1,199,611
Trade and notes receivables	7,716,572	7,672,495	9,792,745	9,516,141
Financial assets at fair value through profit or loss	128,752	63,212	136,428	73,573
Other financial assets at fair value through other comprehensive income	290,477	252,612	285,278	405,271
Restricted cash and term deposits	1,545,549	1,828,731	1,545,561	1,936,744
Cash and cash equivalents	5,644,487	5,343,600	6,104,723	7,008,426
Derivative financial assets	17,389	14,932	65,126	75,843
Other current assets	370,146	771,242	828,721	891,778
Total current assets	**22,445,744**	**22,677,792**	**28,627,517**	**30,760,977**
Current liabilities:				
Borrowings	7,623,119	7,138,100	10,970,771	12,085,682
Trade and notes payables	8,948,278	10,594,850	14,045,950	13,412,374
Contract liabilities	28,983	122,562	474,661	468,039
Lease liabilities	29,698	131,842	500,891	268,897
Current income tax liabilities	425,307	342,390	513,181	704,434
Accruals and other payables	931,924	772,104	1,856,840	1,170,454
Derivative financial liabilities	33,347	11,038	46,546	87,533

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(in RMB thousands)			(unaudited)
Provisions	–	–	17,813	15,293
Other current liabilities	6,556	5,191	26,025	26,198
Total current liabilities	**18,027,212**	**19,118,077**	**28,452,678**	**28,238,904**
Net current assets	**4,418,532**	**3,559,715**	**174,839**	**2,522,073**

Comparison between December 31, 2025 and December 31, 2024

Our net current assets decreased from RMB3,559.7 million as of December 31, 2024 to RMB174.8 million as of December 31, 2025, primarily due to (i) an increase in trade and notes payables from RMB10,594.9 million to RMB14,046.0 million, (ii) an increase in borrowings from RMB7,138.1 million to RMB10,970.8 million, partially offset by (i) an increase in trade and notes receivables from RMB7,672.5 million to RMB9,792.7 million, (ii) an increase in accruals and other payables from RMB772.1 million to RMB1,856.8 million and (iii) an increase in inventories from RMB6,152.7 million to RMB8,928.9 million arising from the acquisition of Source Photonics and GMD.

Comparison between December 31, 2024 and December 31, 2023

Our net current assets decreased from RMB4,418.5 million as of December 31, 2023 to RMB3,559.7 million as of December 31, 2024, primarily due to (i) an increase in trade and note payables from RMB8,948.3 million to RMB10,594.9 million and (ii) a decrease in accruals and other payables from RMB931.9 million to RMB772.1 million, mainly attributable to the settlement of most of the equity consideration primarily in connection with the acquisition of Suzhou Display, partially offset by (i) a decrease in borrowings from RMB7,623.1 million to RMB7,138.1 million and (ii) an increase in other current assets from RMB370.1 million to RMB771.2 million.

INDEBTEDNESS

The table below sets forth the indebtedness as of the dates indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(in RMB thousands)			(unaudited)
Current				
Borrowings	7,623,119	7,138,100	10,970,771	12,085,682
Lease liabilities	29,698	131,842	500,891	268,897
Subtotal	7,652,817	7,269,942	11,471,662	12,354,579
Non-current				
Borrowings	4,706,280	5,289,188	6,375,079	8,230,897
Lease liabilities	1,842,799	1,351,519	1,790,065	1,919,869
Subtotal	6,549,079	6,640,707	8,165,144	10,150,766
Total	**14,201,896**	**13,910,649**	**19,636,806**	**22,505,345**

Borrowings

As of December 31, 2023, 2024 and 2025 and March 31, 2026 we had borrowings of RMB12,329.4 million, RMB12,427.3 million, RMB17,345.9 million and RMB20,316.6 million, respectively. The table below sets for the categories of our borrowings as of the dates indicated.

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
		(in RMB thousands)		*(unaudited)*
Current Portion				
Bank borrowings				
– Secured	2,881,081	2,517,842	5,728,534	5,746,128
– Unsecured	4,733,516	4,612,100	5,221,349	6,315,106
Interest payables	8,522	8,158	20,888	24,448
Subtotal	7,623,119	7,138,100	10,970,771	12,085,682
Non-current Portion				
Bank borrowings				
– Secured	2,472,169	2,193,607	3,354,405	4,201,960
– Unsecured	2,230,996	3,091,448	3,019,025	4,025,693
Interest payables	3,115	4,133	1,649	3,244
Subtotal	4,706,280	5,289,188	6,375,079	8,230,897
Total	**12,329,399**	**12,427,288**	**17,345,850**	**20,316,579**

During the Track Record Period, our borrowings were obtained from commercial banks and financial institutions, with the effective interest rates ranging from 0.01% to 6.10%, 0.01% to 6.00% and 1. 33% to 5.10%, respectively. Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. For details, see Note 30 to "Appendix IA — Accountants' Report of the Group."

As of March 31, 2026, our total banking facilities amounted to RMB35,341.0 million, of which RMB20,309.2 million had been utilized.

Lease Liabilities

Our lease liabilities, including current and non-current portions, were primarily in relation to our lease of land use rights and buildings used in its operations.

As of December 31, 2023, 2024, and 2025, the balance of our lease liabilities, including both current and non-current portions, was RMB1,872.5 million, RMB1,483.4 million and RMB2,291.0 million, respectively. These increases primarily reflect the expansion of our facilities in line with business growth, as well as adjustments to our leasing portfolio over time, including the termination or renewal of certain leases, addition of new leased spaces, and modifications to lease terms.

CONTINGENT LIABILITIES

As of December 31, 2025, we did not have any material contingent liabilities. During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any bank and other loans, or any issued and outstanding or agreed to be issued loan capital, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptances (other than ordinary trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or finance lease commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness since March 31, 2026 and up to the Latest Practicable Date. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not have any material defaults or breaches of covenants in repayment of indebtedness.

CAPITAL COMMITMENTS

Capital Expenditure

The table below sets forth the capital expenditure for the years indicated.

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Payments for purchase of property, plant and equipment, intangible assets	3,466,866	3,792,145	4,383,255
Total	**3,466,866**	**3,792,145**	**4,383,255**

During the Track Record Period, our capital expenditure was primarily for purchase of property, plant and equipment used in our production.

We plan to continue capital expenditures to support our business growth and expansion strategy. See "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**." We intend to fund these expenditures with available financial resources, including cash generated from operations, net **[REDACTED]** from the **[REDACTED]** and potential future equity or debt financing.

Capital Commitments

The table below sets forth the capital commitments as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(in RMB thousands)		
Property, plant and equipment and intangible assets commitments:			
-Contracted, but not provided for	259,478	246,858	2,974,064
Total	**259,478**	**246,858**	**2,974,064**

KEY FINANCIAL RATIOS

	Year Ended/As of December 31,		
	2023	2024	2025
	%	%	%
Gross margin(1)	13.9	11.5	12.4
Net profit margin(2)	5.8	3.0	3.5
Debt ratio(3)	58.5	58.6	64.0

Notes:

(1) Gross margin was calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(2) Net profit margin was calculated as net profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(3) Debt ratio was total liabilities divided by total assets as of the relevant date and multiplied by 100%.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

The main risks arising from our financial instruments are foreign currency risk, interest rate risk, price risk. See Note 3 to "Appendix IA — Accountants' Report of the Group."

Currency Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of a company and its subsidiaries. We have certain cash and bank balances, trade receivables, other receivables, trade payables, other payables and borrowings denominated in foreign currencies, which exposes us to currency risk. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and try to minimize these exposures through buying and selling foreign currencies at market rate, wherever possible.

Interest Rate Risk

Interest rate risk primarily arises from interest-bearing borrowings. We are exposed to cash flow interest rate risk in relation to borrowings issued at floating rates and fair value interest rate risk in relation to borrowings issued at fixed rates. We determines the proportion of borrowings issued at floating rates and fixed rates based on the market environment and maintains an appropriate combination of financial instruments through regular review and monitoring. We monitor the level of interest rates and regularly review our strategy on interest rate risk management in the light of the prevailing market condition.

Price Risk

Price risk refers to the risk of fluctuations in the fair value of financial instruments due to changes in market prices, whether caused by factors specific to individual instruments or general market movements. We are mainly exposed to equity price risk arising from investments held by the us that are classified either as FVTPL or FVOCI. Specifically, if prices of the respective instruments held by us had been 5%, 5% and 5% higher/lower as at December 31, 2023, 2024 and 2025, profit before tax for the year would have been approximately RMB2,098,000, RMB(239,000) and RMB4,494,000 higher/lower as a result of gains/losses on financial instruments classified as at FVTPL, other comprehensive income before tax would have been approximately RMB28,432,000 and RMB29,313,000 and RMB36,413,000 higher/lower as a result of fair value changes on financial instruments classified as at FVOCI. Sensitivity analysis is performed by the management to assess the exposure of our financial results to equity price risk of FVTPL and FVOCI at the end of each Track Record Period.

Credit Risk

Credit risk refers to the risk that our counterparties may default on their contractual obligations resulting in financial losses to us. It arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables, other receivables and FVOCI. Our maximum exposure to credit risk in relation to the corresponding class of financial assets is the carrying amount of the respective recognized assets as stated in the consolidated statements of financial position.

Liquidity Risk

Liquidity risk is the risk that we may encounter difficulty in meeting financial obligations due to shortage of funds. To manage our liquidity risk, we maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet the Company's liquidity requirements.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value. Our overall strategy remains unchanged throughout the Track Record Period.

We manage our capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may issue new shares, sell assets to reduce debt or raise additional funding from shareholders or banks as and when necessary. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during 2023, 2024 and 2025. See Note 3 to "Appendix IA — Accountants' Report of the Group."

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of manufacturing partners. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

FINANCIAL INFORMATION OF SOURCE PHOTONICS

The financial information contained and discussed in this subsection presents the historical financial information of Source Photonics for the years ended December 31, 2023, 2024 and the nine months ended September 30, 2025.

RESULTS OF OPERATIONS

	Year Ended December 31,				For the nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Revenue	**1,305,145**	**100.0**	**2,945,332**	**100.0**	**1,890,076**	**100.0**	**3,627,515**	**100.0**
Cost of revenue	(1,056,746)	(81.0)	(2,066,249)	(70.2)	(1,400,986)	(74.1)	(2,617,681)	(72.2)
Gross profit	**248,399**	**19.0**	**879,083**	**29.8**	**489,090**	**25.9**	**1,009,834**	**27.8**
General and administrative expenses	(112,924)	(8.7)	(168,201)	(5.7)	(71,345)	(3.8)	(122,297)	(3.4)
Selling and marketing expenses	(29,762)	(2.3)	(41,027)	(1.4)	(27,525)	(1.5)	(32,556)	(0.9)
Research and development expenses	(108,930)	(8.3)	(159,686)	(5.4)	(80,560)	(4.3)	(156,072)	(4.3)
Net impairment losses on financial assets	(891)	(0.1)	(1,284)	0.0	(198)	0.0	(1,364)	0.0
Other income	20,437	1.6	17,168	0.6	7,401	0.4	14,240	0.4
Other gains/(loss), net	(50,195)	(3.8)	634,848	21.6	616,616	32.6	(129,571)	(3.6)
Operating profit	**(33,866)**	**(2.6)**	**1,160,901**	**39.4**	**933,479**	**49.4**	**582,214**	**16.0**
Finance income	863	0.1	710	0.0	824	0.0	5,469	0.2
Finance costs	(52,948)	(4.1)	(28,389)	(1.0)	(20,002)	(1.1)	(26,888)	(0.7)
Finance costs, net	(52,085)	(4.0)	(27,679)	(0.9)	(19,178)	(1.0)	(21,419)	(0.6)
Profit/loss before income tax	**(85,951)**	**(6.6)**	**1,133,222**	**38.5**	**914,301**	**48.4**	**560,795**	**15.5**
Income tax expense	(4,418)	(0.3)	(82,768)	(2.8)	(33,992)	(1.8)	(85,539)	(2.4)
Profit/(loss) for the year	**(90,369)**	**(6.9)**	**1,050,454**	**35.7**	**880,309**	**46.6**	**475,256**	**13.1**

The net loss in 2023 for Source Photonics was primarily attributable to lower revenue from the sales of telecommunications transceivers. This was primarily due to a slowdown in global 5G infrastructure investment, which reduced market demand and intensified competition, resulting in significant pricing pressure in telecommunications transceiver product and a considerable decline in average selling prices during the year.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, Source Photonics mainly generated revenue from the sales of (i) data center transceiver and (ii) telecommunications transceiver. The following table sets forth a breakdown of Source Photonics' revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Data center transceiver	460,061	35.2	1,940,435	65.9	1,194,932	63.2	3,007,239	82.9
Telecommunications transceiver	826,037	63.3	971,225	33.0	673,315	35.6	599,577	16.5
Others*	19,047	1.5	33,672	1.1	21,829	1.2	20,699	0.6
Total	**1,305,145**	**100.0**	**2,945,332**	**100.0**	**1,890,076**	**100.0**	**3,627,515**	**100.0**

Note:

* Others mainly consist of income from the sale of materials.

During the Track Record Period, telecommunications transceiver was Source Photonics' largest revenue contributor in 2023. Driven by robust downstream demand, Source Photonics started to derive increasingly significant revenue from the sales of data center transceiver in 2024 and for the nine months ended September 30, 2025. Going forward, with the proliferation of AI computing and data center needs, data center transceivers are expected to continue to be a major contributor to Source Photonics' total revenue.

By geographical location — incorporation place of customers*

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Chinese Mainland	505,583	38.7	985,992	33.5	716,495	37.9	1,228,207	33.9
Outside Chinese mainland	799,562	61.3	1,959,340	66.5	1,173,581	62.1	2,399,308	66.1
Total	**1,305,145**	**100.0**	**2,945,332**	**100.0**	**1,890,076**	**100.0**	**3,627,515**	**100.0**

Note:

* Information about revenue of Source Photonics from customers is presented based on customers' place of incorporation

During the Track Record Period, a majority of revenue of Source Photonics was from customers outside the Chinese mainland. Customers outside the Chinese mainland primarily included customers in the United States. We expect sales to customers outside the Chinese mainland to remain a key revenue contributor going forward.

Sales Volume and Average Selling Prices

	Year Ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(Units'000)	*(RMB)*	*(Units'000)*	*(RMB)*	*(Units'000)*	*(RMB)*	*(Units'000)*	*(RMB)*
Data center transceiver	1,158	397.3	1,609	1,206.0	1,072	1,115.0	2,411	1,247.0
Telecommunications transceiver	5,693	145.1	9,698	100.1	7,154	94.0	5,469	110.0

Note:

(1) Sales volume is measured in units, representing the total number of finished components or assemblies.
(2) Average selling price is calculated by dividing the revenue in a given product category by the corresponding sales volume.

Throughout the Track Record Period, the sales volume and average selling price of data center transceiver has consistently increased, primarily due to strong downstream demand from AI and data center applications.

Cost of Sales

Cost of sales of Source Photonics primarily consists of (i) raw material costs, (ii) labor costs and (iii) depreciation and amortization. During the Track Record Period, raw materials constituted the largest component of the cost of sales.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Raw material costs	758,583	71.8	1,679,562	81.3	1,117,170	79.7	2,147,591	82.0
Labor costs	171,997	16.3	222,977	10.8	166,228	11.9	283,698	10.8
Depreciation and amortization	71,757	6.8	79,314	3.8	53,973	3.9	80,698	3.1
Utility costs	16,232	1.5	20,479	1.0	14,533	1.0	20,373	0.8
Others	38,177	3.6	63,917	3.1	49,082	3.5	85,321	3.3
Total	**1,056,746**	**100.0**	**2,066,249**	**100.0**	1,400,986	100.0	2,617,681	100.0

Gross Profit and Gross Margin

By product category

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Data center transceiver	70,269	15.3	629,723	32.5	336,528	28.2	890,907	29.6
Telecommunications transceiver	162,452	19.7	227,572	23.4	138,643	20.6	107,713	18.0
Others	15,678	82.3	21,788	64.7	13,919	63.8	11,214	54.2
Total/Overall[1]	**248,399**	**19.0**	**879,083**	**29.8**	489,090	25.9	1,009,834	27.8

Note:

(1) The overall gross margin is calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

General and Administrative Expenses

General and administrative expenses of Source Photonics primarily include (i) employee benefit expenses engaging in the general and administrative function, (ii) depreciation and amortization, (iii) consulting service fees, (iv) office expenses, (v) tax and surcharges, (vi) auditor's services and (vii) others.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)							
					(unaudited)			
Employee benefit expenses	51,591	45.7	109,047	64.8	37,441	52.5	51,014	41.7
Depreciation and amortization	20,321	18.0	24,197	14.4	15,151	21.2	22,782	18.6
Consulting service fees	23,876	21.1	7,354	4.4	6,842	9.6	12,597	10.3
Office expenses	2,516	2.3	4,543	2.7	2,152	3.0	2,893	2.4
Tax and surcharges	2,653	2.3	3,969	2.4	2,692	3.8	4,107	3.4
Auditor's services	814	0.7	814	0.5	814	1.1	814	0.7
Others	11,153	9.9	18,277	10.8	6,253	8.8	28,090	23.0
Total	**112,924**	**100.0**	**168,201**	**100.0**	**71,345**	**100.0**	**122,297**	**100.0**
as % of total revenue		*8.7*		*5.7*		*3.8*		*3.4*

Selling and Marketing Expenses

Selling and marketing expenses of Source Photonics primarily include (i) employee benefit expenses for personnel engaging in the sales and marketing function, (ii) sales service fees, (iii) travel and business development expenses, (iv) advertising expenses, (v) depreciation and amortization and (vi) others.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)							
					(unaudited)			
Employee benefit expenses	21,947	73.7	30,495	74.3	19,189	69.7	24,675	75.8
Travel and business development expenses	3,078	10.3	3,964	9.7	2,578	9.4	2,019	6.2
Advertising expense	2,307	7.9	3,210	7.8	2,639	9.6	2,922	9.0
Depreciation and amortization	277	0.9	256	0.6	193	0.7	207	0.6
Others	2,153	7.2	3,102	7.6	2,926	10.6	2,733	8.4
Total	**29,762**	**100.0**	**41,027**	**100.0**	**27,525**	**100.0**	**32,556**	**100.0**
as % of total revenue		*2.3*		*1.4*		*1.5*		*0.9*

Research and Development Expenses

Research and development expenses of Source Photonics primarily include (i) employee benefit expenses for personnel engaging in the research and development function, (ii) raw material costs, (iii) depreciation and amortization and (iv) others.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)							
					(unaudited)			
Employee benefit expenses	55,844	51.3	71,619	44.8	39,710	49.3	50,762	32.5
Raw material costs	25,728	23.6	63,852	40.0	19,255	23.9	64,516	41.3
Depreciation and amortization	13,939	12.8	11,360	7.1	10,090	12.5	15,691	10.1
Others	13,419	12.3	12,855	8.1	11,505	14.3	25,103	16.1
Total	**108,930**	**100.0**	**159,686**	**100.0**	**80,560**	**100.0**	**156,072**	**100.0**
as % of total revenue		*8.3*		*5.4*		*4.3*		*4.3*

Net Impairment Losses on Financial Assets

Net impairment losses under expected credit loss model, net of reversal of Source Photonics represent net impairment losses recognized on trade receivables and other receivables. In 2023, 2024 and the nine months ended September 30, 2025, provision of impairment loss of Source Photonics amounted to RMB0.9 million, RMB1.3 million and RMB1.4 million, respectively.

Other Income

Other income of Source Photonics consists of (i) government grants and (ii) others.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)							
					(unaudited)			
Government grants	18,726	91.6	15,383	89.6	6,534	88.3	12,962	91.0
Others	1,711	8.4	1,785	10.4	867	11.7	1,278	9.0
Total	**20,437**	**100.0**	**17,168**	**100.0**	**7,401**	**100.0**	**14,240**	**100.0**
as % of total revenue		*1.6*		*0.6*		*0.4*		*0.4*

Other Gains/(Losses), Net

Other gains/(losses) of Source Photonics primarily consist of (i) net foreign exchange gains, (ii) fair value changes on financial liabilities at FVTPL (iii) gain on modification of terms in Preferred Shares, (iv) fair value changes on financial assets at FVTPL, (v) net losses on disposal of property, plant and equipment and other long-term assets, (vi) gains from financial assets at FVTPL during holding period and (vii) other items, which mainly include non-operating income and expenses.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Net foreign exchange gains/(losses)	18,791	(37.4)	20,603	3.2	(11,841)	(1.9)	(9,903)	7.6
Fair value losses on financial liabilities at FVTPL	(70,112)	139.7	(21,032)	(3.3)	(15,650)	(2.5)	(73,691)	56.9
Fair value gains on financial assets at FVTPL	1,420	(2.8)	20	–	–	–	35	–
Gain on modification of terms in Preferred Shares	–	–	648,126	102.1	648,126	105.1	–	–
Net losses on disposal of property, plant and equipment and other long-term assets	(432)	0.9	(10,757)	(1.7)	(4,857)	(0.8)	(4,552)	3.5
Gains from financial assets at FVTPL during holding period	194	(0.4)	610	0.1	154	0.0	84	(0.1)
Other items	(56)	0.1	(2,722)	(0.4)	684	0.1	14	–
Compensation expense in connection with convertible bond	–	–	–	–	–		(41,558)	32.1
Total	**(50,195)**	**100.0**	**634,848**	**100.0**	**616,616**	**100.0**	**(129,571)**	**100.0**
as % of total revenue		*(3.8)*		*21.6*		*32.6*		*(3.6)*

Finance Cost, net

Finance cost of Source Photonics primarily consists of (i) interest expenses on borrowings, (ii) net exchange losses on foreign currency borrowings and (iii) interest expenses on lease liabilities. Finance income of Source Photonics primarily derives from interest income.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Finance Income								
Interest income	863	1.7	710	2.6	824	4.3	5,469	25.5
Finance Cost								
Interest expenses on lease liabilities	4,836	(9.3)	4,821	(17.4)	4,073	(21.2)	4,472	(20.9)
Interest expenses on borrowings	41,924	(80.5)	20,411	(73.7)	14,719	(76.8)	22,112	(103.2)
Net exchange losses on foreign currency borrowings	6,188	(11.9)	3,157	(11.4)	1,210	(6.3)	304	(1.4)
Subtotal	52,948	(101.7)	28,389	(102.6)	20,002	(104.3)	26,888	(125.5)
Net finance cost	**52,085**	**(100.0)**	**27,679**	**(100.0)**	**19,178**	**(100.0)**	**21,419**	**(100.0)**
as % of total revenue		*4.0*		*0.9*		*1.0*		*0.6*

Income Tax Expenses

Source Photonics' tax expenses comprise current tax and deferred tax. It is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the members of Source Photonics is domiciled and operate. Entities established in the PRC were subject to the PRC corporate income tax rate of 25% during the Track Record Period. Certain subsidiaries have obtained High and New Technology Enterprises certification and thus they are entitled to a preferential corporate income tax rate of 15% for certain years during the Track Record Period. The provision for Taiwan Profits Tax for the Track Record Period was calculated at 20% of the estimated assessable profits for the periods. See Note 12 to "Appendix IB — Accountants' Report of the Source Photonics Group" for tax rates in other jurisdictions in which Source Photonics operates.

Source Photonics recorded income tax expenses of RMB4.4 million, RMB82.8 million and RMB85.5 million in 2023, 2024 and the nine months ended September 30, 2025, respectively. During the Track Record Period and up to the Latest Practicable Date, Source Photonics had fulfilled all tax obligations and did not have any unresolved tax disputes.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Period Ended September 30, 2025 Compared to Period Ended September 30, 2024

Revenue

	Nine months ended September 30,		
	2024	**2025**	**% Change**
	(in RMB thousands, except for percentages)		
	(unaudited)		
Data center transceiver	1,194,932	3,007,239	151.7
Telecommunications transceiver	673,315	599,577	(11.0)
Others*	21,829	20,699	(5.2)
Total	1,890,076	3,627,515	91.9

Note:

* Others mainly consist of income from the sale of materials.

Sales Volume and Average Selling Price

	Nine months ended September 30,			
	2024		**2025**	
	Sales volume	**Average selling price**	**Sales volume**	**Average selling price**
	(Units'000)	*(RMB)*	*(Units'000)*	*(RMB)*
Data center transceiver	1,072	1,115.0	2,411	1,247.0
Telecommunications transceiver	7,154	94.0	5,469	110.0

Data Center Transceiver

Source Photonics' revenue from the sales of data center transceiver increased by 151.7% from RMB1,194.9 million for the nine months ended September 30, 2024 to RMB3,007.2 million for the nine months ended September 30, 2025, due to (i) an increase in sales volume from 1,072 thousand units for the nine months ended September 30, 2024 to 2,411 thousand units for the nine months ended September 30, 2025, primarily due to strong downstream demand in AI and data centers and (ii) an increase in average selling price from RMB1,115.0 per unit for the nine months ended September 30, 2024 to RMB1,247.0 per unit for the nine months ended September 30, 2025, mainly due to a shift in product mix toward high-end data center transceivers, which carry higher selling prices.

Telecommunications Transceivers

Source Photonics' revenue from the sales of telecommunications transceiver decreased by 11.0% from RMB673.3 million for the nine months ended September 30, 2024 to RMB599.6 million for the nine months ended September 30, 2025, due to a decrease in sales volume from 7,154 thousand units for the nine months ended September 30, 2024 to 5,469 thousand units for the nine months ended September 30, 2025, primarily as a result of a decrease in market demand, partially offset by an increase in average selling price from RMB94.0 per unit for the nine months ended September 30, 2024 to RMB110.0 per unit for the nine months ended September 30, 2025, mainly due to a more favorable product mix in 2025, as Source Photonics sold a relatively large volume of lower-priced products in the nine months ended September 30, 2024, which lowered the overall average selling price for the period.

Others

Source Photonics' revenue from the sales of other products decreased by 5.2% from RMB21.8 million for the nine months ended September 30, 2024 to RMB20.7 million for the nine months ended September 30, 2025, primarily due to higher resales of raw materials and increased sales of scrap materials.

Cost of Sales

	Nine months ended September 30, 2024	Nine months ended September 30, 2025	% Change
	(in RMB thousands, except for percentages)		
	(unaudited)		
Raw material costs	1,117,170	2,147,591	92.2
Labor costs	166,228	283,698	70.7
Depreciation and amortization	53,973	80,698	49.5
Utility costs	14,533	20,373	40.2
Others	49,082	85,321	73.8
Total	1,400,986	2,617,681	86.8
as % of total revenue	*74.1*	*72.2*	

Cost of sales of Source Photonics increased by 86.8% from RMB1,401.0 million for the nine months ended September 30, 2024 to RMB2,617.7 million for the nine months ended September 30, 2025, primarily due to (i) a 92.3% increase in raw material costs, (ii) a 70.7% increase in labor costs and (iii) a 73.8% increase in others, in line with higher production of data center transceivers.

Gross Profit and Gross Margin

	Nine months ended September 30, 2024		2025	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB	*%*	*RMB*	*%*
	(in RMB thousands, except for percentages)			
	(unaudited)			
Data center transceiver	336,528	28.2	890,907	29.6
Telecommunications transceiver	138,643	20.6	107,713	18.0
Others	13,919	63.8	11,214	54.2
Total/Overall	**489,090**	**25.9**	**1,009,834**	**27.8**

Data center Transceiver

Source Photonics' gross profit from the sales of data center transceiver increased by 164.7% from RMB336.5 million for the nine months ended September 30, 2024 to RMB890.9 million for the nine months ended September 30, 2025, primarily due to (i) a 151.7% increase in revenue from the sales of data center transceiver and (ii) an increase in gross profit margin from 28.2% for the nine months ended September 30, 2024 to 29.6% for the nine months ended September 30, 2025, mainly attributable to improved capacity utilization and manufacturing efficiency as well as declines in raw material prices, which lowered unit costs.

Telecommunications Transceiver

Source Photonics' gross profit from the sales of telecommunications transceiver decreased by 22.3% from RMB138.6 million for the nine months ended September 30, 2024 to RMB107.7 million for the nine months ended September 30, 2025, primarily due to (i) a decrease 11.0% in revenue from the sales of telecommunications transceiver and (ii) a decrease in gross profit margin from 20.6% for the nine months ended September 30, 2024 to 18.0% for the nine months ended September 30, 2025, mainly attributable to higher manufacturing costs incurred during the production ramp-up stage of certain products, which temporarily affected production efficiency and gross profit margin during the period.

Others

Source Photonics' gross profit from other products decreased by 19.4% from RMB13.9 million for the nine months ended September 30, 2024 to RMB11.2 million for the nine months ended September 30, 2025, mainly due to lower resale prices for raw materials and scrap materials.

General and Administrative Expenses

General and administrative expenses of Source Photonics increased by 71.4% from RMB71.3 million for the nine months ended September 30, 2024 to RMB122.3 million for the nine months ended September 30, 2025, primarily due to (i) an increase of RMB13.6 million in employee benefit expenses, (ii) an increase of RMB7.6 million in depreciation and amortization, (iii) an increase of RMB5.8 million in consulting service fees. As a percentage of total revenue, Source Photonics' general and administrative expenses decreased from 3.8% for the nine months ended September 30, 2024 to 3.4% for the nine months ended September 30, 2025, mainly attributable to the growth in revenue.

Selling and Marketing Expenses

Selling and marketing expenses of Source Photonics increased by 18.3% from RMB27.5 million for the nine months ended September 30, 2024 to RMB32.6 million for the nine months ended September 30, 2025, primarily due to (i) an increase of RMB5.5 million in employee benefit expenses and (ii) an increase of RMB0.3 million in advertising expense. As a percentage of total revenue, Source Photonics' selling and marketing expenses decreased from 1.5% for the nine months ended September 30, 2024 to 0.9% for the nine months ended September 30, 2025, mainly attributable to the growth in revenue.

Research and Development Expenses

Research and development expenses of Source Photonics increased by 93.7% from RMB80.6 million for the nine months ended September 30, 2024 to RMB156.1 million for the nine months ended September 30, 2025, primarily due to (i) an increase of RMB45.3 million in raw materials costs, (ii) an increase of RMB13.6 million in others and (iii) an increase of RMB11.1 million in employee benefit expenses, in line with our increased investment in R&D in data center transceivers. As a percentage of total revenue, Source Photonics' research and development expenses remained stable at 4.3% for the nine months ended September 30, 2024 and for the nine months ended September 30, 2025, mainly attributable to the growth in revenue.

Net Impairment Losses on Financial Assets

Impairment losses of Source Photonics under expected credit loss model, net of reversal, decreased from RMB0.2 million for the nine months ended September 30, 2024 to RMB1.4 million for the nine months ended September 30, 2025, primarily due to an increase trade receivables as of September 30, 2025, compared to September 30, 2024.

Other Income

Other income of Source Photonics increased by 92.4% from RMB7.4 million for the nine months ended September 30, 2024 to RMB14.2 million for the nine months ended September 30, 2025, primarily due to an increase in government grants of RMB6.4 million.

Other Gains/(Losses), Net

Other gains/(losses), net of Source Photonics decreased by 121.0% from RMB616.6 million for the nine months ended September 30, 2024 to a net loss of RMB129.6 million for the nine months ended September 30, 2025. The change was primarily due (i) a decrease of RMB648.1 million in gain on modification of terms in Preferred Shares, (ii) an increase of RMB41.6 million in compensation expense in connection with convertible bond and (iii) an increase of RMB58.0 million in fair value losses on financial liabilities at FVTPL, partially offset by a decrease of RMB1.9 million in net foreign exchange losses.

Finance Costs, Net

Finance costs, net of Source Photonics increased by 11.7% from RMB19.2 million for the nine months ended September 30, 2024 to RMB21.4 million for the nine months ended September 30, 2025, primarily due to an increase of RMB7.4 million in interest expenses on borrowings, partially offset by a decrease of RMB0.9 million in net exchange losses on foreign currency borrowings.

Income Tax Expenses

Income tax expenses of Source Photonics increased by 151.6% from RMB34.0 million for the nine months ended September 30, 2024 to RMB85.5 million for the nine months ended September 30, 2025, primarily due to an increase of RMB50.9 million in current income tax and a increase of RMB0.6 million in deferred income tax.

Profit for the Period

As a result of the foregoing, Source Photonics' profit for the period decreased by 46.0% from RMB880.3 million for the nine months ended September 30, 2024 to RMB475.3 million for the nine months ended September 30, 2025, and its net margin increased from 25.9% for the nine months ended September 30, 2024 to 27.8% for the nine months ended September 30, 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

	Year ended December 31,		
	2023	**2024**	**% Change**
	(in RMB thousands, except for percentages)		
Data center transceiver	460,061	1,940,435	321.8
Telecommunications transceiver	826,037	971,225	17.6
Others[(1)]	19,047	33,672	76.8
Total	**1,305,145**	**2,945,332**	**125.7**

Note:

* Others mainly consist of income from the sale of materials.

Sales Volume and Average Selling Price

	Year ended December 31,			
	2023		2024	
	Sales volume	Average selling price	Sales volume	Average selling price
	(Units'000)	*(RMB)*	*(Units'000)*	*(RMB)*
Data center transceiver	1,158	397.3	1,609	1,206.0
Telecommunications transceiver	5,693	145.1	9,698	100.1

Data Center Transceiver

Source Photonics' revenue from the sales of data center transceiver increased by 321.8% from RMB460.1 million in 2023 to RMB1,940.4 million in 2024, due to (i) an increase in sales volume from 1,158 thousand units in 2023 to 1,609 thousand units in 2024, primarily as a result of strong downstream demand in AI and data centers and (ii) an increase in average selling price from RMB397.3 per unit in 2023 to RMB1,206.0 per unit in 2024, primarily as a result of a shift in product mix toward high-end data center transceivers, which carry higher selling prices.

Telecommunications Transceiver

Source Photonics' revenue from the sales of telecommunications transceiver increased by 17.6% from RMB826.0 million in 2023 to RMB971.2 million in 2024, due to (i) an increase in sales volume from 5,693 thousand units in 2023 to 9,698 thousand units in 2024, primarily as a result of higher shipments in response to customer needs, partially offset by a decrease in average selling price from RMB145.1 per unit in 2023 to RMB100.1 per unit in 2024, mainly due to a shift in product mix toward lower-priced optical transmission products.

Others

Source Photonics' revenue from the sales of other products increased by 76.8% from RMB19.0 million in 2023 to RMB33.7 million in 2024, primarily due to higher resales of raw materials and increased sales of scrap materials.

Cost of Sales

	Year ended December 31,		
	2023	2024	% Change
	(in RMB thousands, except for percentages)		
Raw material costs	758,583	1,679,562	121.4
Labor costs	171,997	222,977	29.6
Depreciation and amortization	71,757	79,314	10.5
Utility costs	16,232	20,479	26.2
Others	38,177	63,917	67.4
Total	**1,056,746**	**2,066,249**	**95.5**
as % of total revenue	*81.0*	*70.2*	

Cost of sales of Source Photonics increased by 95.5% from RMB1,056.7 million in 2023 to RMB2,066.2 million in 2024, primarily due to (i) a 121.4% increase in raw material costs, (ii) a 29.6% increase in labor costs and (iii) a 67.4% increase in others, in line with higher production of data center transceivers.

Gross Profit and Gross Margin

	Year ended December 31,			
	2023		2024	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentages)			
Data center transceiver	70,269	15.3	629,723	32.5
Telecommunications transceiver	162,452	19.7	227,572	23.4
Others[(1)]	15,678	82.3	21,788	64.7
Total/Overall	**248,399**	**19.0**	**879,083**	**29.8**

Data Center Transceiver

Source Photonics' gross profit from data center transceiver increased by 796.2% from RMB70.3 million in 2023 to RMB629.7 million in 2024, primarily due to (i) an increase 321.8% in revenue from the sales of data center transceiver and (ii) an increase in gross profit margin from 15.3% in 2023 to 32.5% in 2024, mainly attributable to larger production scale, ongoing design optimizations and annual price reductions of supplier, which lowered unit costs.

Telecommunications Transceiver

Source Photonics' gross profit from telecommunications transceiver increased by 40.1% from RMB162.5 million in 2023 to RMB227.6 million in 2024, primarily due to (i) an increase 17.6% in revenue from the sales of telecommunications transceiver and (ii) an increase in gross profit margin from 19.7% in 2023 to 23.4% in 2024, mainly attributable to Source Photonics' cost optimization measures, including scaling production to capture economies of scale and optimizing the vendor base.

Others

Source Photonics' gross profit from other products increased by 39.0% from RMB15.7 million in 2023 to RMB21.8 million in 2024, mainly due to higher resale prices for raw materials and scrap materials.

General and Administrative Expenses

General and administrative expenses of Source Photonics increased by 49.0% from RMB112.9 million in 2023 to RMB168.2 million in 2024, primarily due to (i) an increase of RMB57.5 million in employee benefit expenses and (ii) an increase of RMB7.1 million in others, partially offset by (i) a decrease of RMB16.5 million in consulting service. As a percentage of total revenue, Source Photonics' general and administrative expenses decreased from 8.7% in 2023 to 5.7% in 2024, mainly attributable to the significant growth in revenue.

Selling and Marketing Expenses

Selling and marketing expenses of Source Photonics increased by 37.9% from RMB29.8 million in 2023 to RMB41.0 million in 2024, primarily due to (1) an increase of RMB8.5 million in employee benefit expenses, (ii) an increase of RMB0.9 million in advertising expense and (iii) an increase of RMB0.9 million in others. As a percentage of total revenue, Source Photonics' selling and marketing expenses decreased from 2.3% in 2023 to 1.4% in 2024, mainly attributable to the significant growth in revenue.

Research and Development Expenses

Research and development expenses of Source Photonics increased by 46.6% from RMB108.9 million in 2023 to RMB159.7 million in 2024, primarily due to (i) an increase of RMB38.1 million in raw materials costs and (ii) an increase of RMB15.8 million in employee benefit expenses, partially offset by a decrease of RMB2.6 million in depreciation and amortization. As a percentage of total revenue, Source Photonics research and development expenses decreased from 8.3% in 2023 to 5.4% in 2024, mainly attributable to the significant growth in revenue.

Net Impairment Losses on Financial Assets

Impairment losses on Source Photonics under expected credit loss model, net reversal, increased from RMB0.9 million in 2023 to RMB1.3 million in 2024, primarily due to an increased balance of trade receivables.

Other Income

Other income of Source Photonics decreased by 16.0% from RMB20.4 million in 2023 to RMB17.2 million in 2024, primarily due to a decrease in government grants amounting to RMB3.3 million, partially offset by an increase of RMB0.1 million in others.

Other Gains/(Losses), Net

Other gains/(losses), net of Source Photonics shifted from a loss of RMB50.2 million in 2023 to a gain of RMB634.8 million in 2024, primarily due to (i) an increase of RMB648.1 million in gain on modification of terms in Preferred Shares, (ii) a decrease of RMB49.1 million in fair value losses on financial liabilities at FVTPL, and (iii) an increase of RMB1.8 million in net foreign exchange gains, partially offset by a decrease of RMB10.3 million in net losses on disposal of property, plant and equipment and other long-term assets.

Finance Costs, Net

Finance costs, net of Source Photonics decreased by 46.9% from RMB52.1 million in 2023 to RMB27.7 million in 2024, primarily due to a decrease of RMB21.5 million in interest expenses on borrowings that mainly attributable to the repayment of certain loans with higher interest rates during 2023.

Income Tax Expenses

Income tax expenses of Source Photonics increased by 1,773.4% from RMB4.4 million in 2023 to RMB82.8 million in 2024, primarily because the company incurred a loss in 2023.

Profit/(loss) for the year

As a result of the foregoing, Source Photonics recorded a profit of RMB1,050.5 million in 2024, compared with a loss of RMB90.4 million in 2023, and its net margin improved from a net loss margin of 6.9% in 2023 to a net profit margin of 35.7% in 2024.

DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	517,278	700,223	956,486
Right-of-use assets	118,668	105,224	95,382
Intangible assets	133,500	145,969	117,685
Deferred tax assets	37,293	13,002	6,344
Prepayments and other receivables	52,268	18,539	127,662
Other non-current assets	2,199	2,961	3,147
Total non-current assets	**861,206**	**985,918**	**1,306,706**
Current assets			
Inventories	525,622	844,157	1,248,206
Prepayments and other receivables	33,703	62,136	74,504
Trade receivables	478,814	873,915	1,373,810
Financial assets at fair value through profit or loss	81,000	14,020	12,035
Financial assets at fair value through other comprehensive income	28,217	6,022	4,918
Restricted cash and term deposits	50,388	40,344	53,861
Cash and cash equivalents	213,914	252,047	275,731
Other current assets	9,306	22,422	19,837
Total current assets	**1,420,964**	**2,115,063**	**3,062,902**
Current liabilities			
Borrowings	581,045	461,575	558,618
Trade payables	517,025	916,370	1,493,304
Contract liabilities	117	1,232	259
Lease liabilities	20,391	20,722	15,651
Current income tax liabilities	5,583	29,577	151,931
Convertible bonds	321,304	374,483	–
Other financial liabilities at fair value through profit or loss	2,625,085	–	–
Accruals and other payables	63,776	173,100	94,993
Provisions	3,215	2,353	2,776
Total current liabilities	**4,137,541**	**1,979,412**	**2,317,532**
Net current (liabilities)/assets	**(2,716,577)**	**135,651**	**745,370**
Total assets less current liabilities	**(1,855,371)**	**1,121,569**	**2,052,076**
Non-current liabilities			
Borrowings	11,766	–	10,000
Lease liabilities	126,323	107,039	97,738
Deferred tax liabilities	–	5,435	17,559
Convertible bonds	–	–	422,675
Deferred income	28,145	25,848	23,643
Total non-current liabilities	166,234	138,322	571,615
Net assets	**(2,021,605)**	**983,247**	**1,480,461**
EQUITY			
Equity attributable to owners of the Company			
Share capital	65	65	65
Other reserves	398,801	2,353,199	2,375,157
Retained profit/ (Accumulated losses)	(2,429,403)	(1,377,586)	(901,381)
Non-controlling interests	8,932	7,569	6,620
Total equity	**(2,021,605)**	**983,247**	**1,480,461**

Inventories

Source Photonics' inventories include raw materials, finished goods and work in progress. The table below sets forth the breakdown of its inventories as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		*(unaudited)*
Raw materials	318,934	328,555	556,250
Work in progress	261,602	448,821	528,857
Finished goods	59,569	60,332	168,064
Materials on consignment	11,246	30,422	52,298
Goods in transit	22,417	106,432	66,162
Less: provision for impairment	(148,146)	(130,405)	(123,425)
Total	**525,622**	**844,157**	**1,248,206**

Source Photonics' inventories increased from RMB525.6 million as of December 31, 2023 to RMB844.2 million as of December 31, 2024, primarily due to (i) an increase in work in progress from RMB261.6 million as of December 31, 2023 to RMB448.8 million as of December 31, 2024 and (ii) an increase in goods in transit from RMB22.4 million as of December 31, 2023 to RMB106.4 million as of December 31, 2024.

Source Photonics' inventories increased from RMB844.2 million as of December 31, 2024 to RMB1,248.2 million as of September 30, 2025, primarily due to (i) an increase in raw materials from RMB328.6 million as of December 31, 2024 to RMB556.3 million as of September 30, 2025 and (ii) an increase in work in progress from RMB448.8 million as of December 31, 2024 to RMB528.9 million as of September 30, 2025, partially offset by a decrease in goods in transit from RMB106.4 million as of December 31, 2024 to RMB66.2 million as of September 30, 2025.

Aging Analysis

The table below sets forth an aging analysis of inventories of Source Photonics as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
Within one year	534,523	834,383	1,217,037
One to two years	31,936	54,049	83,755
Two to three years	27,489	11,292	11,934
Over three years	79,820	74,838	58,905
Total	**673,768**	**974,562**	**1,371,631**

The table below sets forth the turnover days of Source Photonics' inventories for the years indicated.

	Year Ended December 31,		As of September 30,
	2023	2024	2025
Inventory turnover days[(1)]	160	119	108

Note:

(1) Inventory turnover days for each year equals the average of the beginning and ending carrying amount of inventory for that period divided by cost of sales for that year and multiplied by 360 days for 2023, and 2024, and by 270 days for the nine months ended September 30, 2025.

During the Track Record Period, Source Photonics' inventory turnover days decreased from 2023 to 2024, in line with its business growth. Source Photonics' inventory turnover days remained stable between 2024 and as of September 30, 2025.

Trade Receivables

Trade receivables mainly arise from sales of products on credit. Source Photonics periodically conduct credit evaluations of customers who trade on credit. Source Photonics usually grant credit terms to customers ranging from 30 to 120 days from the date of billing.

The table below sets forth the breakdown of Source Photonics' trade receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
Trade receivables	481,384	877,705	1,378,933
Less: credit loss allowance	(2,570)	(3,790)	(5,123)
Total	**478,814**	**873,915**	**1,373,810**

Source Photonics' trade receivables continued to increase during the Track Record Period, primarily due to an increase in the sales of its products in line with the business growth.

The table below sets forth an aging analysis of Source Photonics' trade receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
Within one year	479,737	873,220	1,373,013
One to two years	249	3,105	4,543
Over two years	1,398	1,380	1,377
Total	**481,384**	**877,705**	**1,378,933**

For further details, see Note 21 to "Appendix IB — Accountants' Report of the Source Photonics Group."

The table below sets forth the turnover days of Source Photonics' trade receivables for the years indicated.

	Year Ended December 31,		As of September 30,
	2023	2024	2025
Trade receivables turnover days(1)	123	83	84

Note:

(1) Trade receivables turnover days for each year equals the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 360 days for 2023, and 2024, and by 270 days for the nine months ended September 30, 2025.

During the Track Record Period, Source Photonics' trade receivables turnover days decreased from 2023 to 2024 and as of September 30, 2025, mainly due to an increase in overseas customers.

Trade Payables

Source Photonics' trade payables primarily represent outstanding amounts owed to third parties, including payments for materials, construction and equipment and operating expenses.

The table below sets forth the breakdown of Source Photonics' trade payables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
Payments for materials	479,224	854,289	1,300,518
Payments for construction and equipment	16,215	43,353	156,035
Payments for operating expenses	21,586	18,728	36,751
Total	**517,025**	**916,370**	**1,493,304**

Source Photonics' trade payables increased by 77.2% from RMB517.0 million as of December 31, 2023 to RMB916.4 million as of December 31, 2024, primarily due to increases in (i) an increase in payments for materials from RMB479.2 million as of December 31, 2023 to RMB854.3 million as of December 31, 2024 and (ii) an increase in payments for construction and equipment from RMB16.2 million as of December 31, 2023 to RMB43.4 million as of December 31, 2024. Source Photonics' trade payables increased from RMB916.4 million as of December 31, 2024 to RMB1,493.3 million as of September 30, 2025, primarily due to (i) an increase in payments for materials from RMB854.3 million as of December 31, 2024 to RMB1,300.5 million as of September 30, 2025 and (ii) an increase in payments for construction and equipment from RMB43.4 million as of December 31, 2024 to RMB156.0 million as of September 30, 2025.

The table below sets forth the aging analysis of the trade payables.

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
Within 1 year	515,157	913,392	1,490,648
Between 1 and 2 years	760	1,826	1,537
Between 2 and 3 years	241	240	228
Over 3 years	867	912	891
Total	**517,025**	**916,370**	**1,493,304**

The table below sets forth the turnover days for the trade and other payables for the years indicated.

	Year Ended December 31,		As of September 30,
	2023	2024	2025
Trade payables turnover days[(1)]	160	125	124

Note:

(1) Trade payables turnover days for each year equals the average of the beginning and ending balances of trade and bills payables for that year divided by cost of sales for that year and multiplied by 360 days for 2023, and 2024, and by 270 days for the nine months ended September 30, 2025.

During Track Record Period, Source Photonics' trade payables turnover days decreased in 2023, 2024 and the nine months ended September 30, 2025.

Restricted Cash and Term Deposits

Source Photonics had restricted bank deposits of RMB50.4 million, RMB40.3 million and RMB53.9 million as of December 31, 2023 and 2024 and as of September 30, 2025, primarily related to international trade financing borrowings, with fluctuations mainly due to the expiration of existing arrangements and the signing of new contracts.

Cash Flows

The table below sets forth Source Photonics' cash flows for the years indicated.

	Year Ended December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
Cash flows from operating activities			
Cash generated from operations	90,731	351,786	470,441
Interest received	863	710	5,469
Income tax paid	(13,810)	(33,660)	(66,756)
Net cash generated from operating activities	**77,784**	**318,836**	**409,154**
Net cash used in investing activities	(186,335)	(195,376)	(400,188)
Net cash generated from/(used in) financing activities	195,015	(111,579)	43,847
Net increase in cash and cash equivalents	**86,464**	**11,881**	**52,813**
Cash and cash equivalents at beginning of the year	186,812	213,914	252,047
Effects of exchange rate changes on cash and cash equivalents	(59,362)	26,252	(29,129)
Cash and cash equivalents at end of the year	**213,914**	**252,047**	**275,731**

Operating Activities

For the nine months ended September 30, 2025, Source Photonics had net cash generated from operating activities of RMB409.2 million, primarily comprising of Source Photonics' profit before income tax of RMB560.8 million, adjusted for non-operating and non-cash items mainly including (i) depreciation and amortization of non-current assets of RMB119.4 million, (ii) finance costs of RMB26.9 million, partially offset by (iii) net foreign exchange gains of RMB9.9 million. This amount was further affected by changes in working capital, including (i) an increase in inventories of RMB397.1 million and (ii) an increase in receivables of RMB557.6 million, partially offset by an increase in payables of RMB598.9 million.

In 2024, Source Photonics had net cash generated from operating activities of RMB318.8 million, primarily comprising of Source Photonics' profit before income tax of RMB1,133.2 million, adjusted for non-operating and non-cash items mainly including (i) depreciation and amortization of non-current assets of RMB115.1 million, (ii) finance costs of RMB28.4 million, partially offset by (iii) net foreign exchange gains of RMB20.6 million. This amount was further affected by changes in working capital, including (i) an increase in payables of RMB431.1 million, partially offset by (ii) an increase in receivables of RMB414.2 million and (iii) an increase in inventories of RMB329.1 million.

In 2023, Source Photonics had net cash generated from operating activities of RMB77.8 million, primarily comprising of Source Photonics' loss before income tax of RMB86.0 million, adjusted for non-operating and non-cash items mainly including (i) depreciation and amortization of non-current assets of RMB106.3 million, (ii) finance costs of RMB52.9 million, partially offset by (iii) net foreign exchange gains of RMB18.8 million. The amount was further affected by changes in working capital, including (i) an increase in payables of RMB142.6 million, partially offset by (ii) an increase in receivables of RMB94.1 million and (iii) an increase in inventories of RMB114.1 million.

Investing Activities

For the nine months ended September 30, 2025, Source Photonics had net cash used in investing activities of RMB400.2 million, primarily comprising (i) payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB400.4 million and (ii) placement of wealth management products of RMB38.0 million, partially offset by withdraw of wealth management products of RMB40.0 million.

In 2024, Source Photonics had net cash used in investing activities of RMB195.4 million, primarily comprising (i) placement of wealth management products of RMB223.5 million and (ii) payments for purchase of property, plant, and equipment, intangible assets and other non-current assets of RMB264.7 million, partially offset by withdraw of wealth management products of RMB290.5 million.

In 2023, Source Photonics had net cash used in investing activities of RMB186.3 million, primarily comprising (i) payments for purchase of property, plant, and equipment, intangible assets and other non-current assets of RMB125.2 million and (ii) placement of wealth management products of RMB81.0 million, partially offset by government grant received in relation to assets of RMB15.4 million.

Financing Activities

For the nine months ended September 30, 2025, Source Photonics had net cash generated from financing activities of RMB43.8 million, primarily comprising proceeds from borrowings of RMB797.2 million, partially offset by repayments of borrowings of RMB687.5 million and payments for repurchase of convertible bonds of RMB357.7 million.

In 2024, Source Photonics had net cash used in financing activities of RMB111.6 million, primarily consisting of (i) repayment of borrowings of RMB833.1 million and (ii) payments for repurchase of convertible bonds of RMB142.2 million, partially offset by (i) proceeds from borrowing of RMB714.5 million and (ii) proceeds from issuance of convertible bonds of RMB177.6 million.

In 2023, Source Photonics had net cash generated from financing activities of RMB195.0 million, primarily consisting of (i) proceeds from borrowings of RMB998.0 million and (ii) proceeds from issuance of convertible bonds of RMB356.1 million, partially offset by (i) repayment of borrowings of RMB1,037.6 million.

Net Current Assets/Liabilities

The table below sets forth current assets and liabilities of Source Photonics as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
Current assets:			
Inventories	525,622	844,157	1,248,206
Prepayments and other receivables	33,703	62,136	74,504
Trade receivables	478,814	873,915	1,373,810
Financial assets at fair value through profit or loss	81,000	14,020	12,035
Financial assets at fair value through other comprehensive income	28,217	6,022	4,918
Restricted cash and term deposits	50,388	40,344	53,861
Cash and cash equivalents	213,914	252,047	275,731
Other current assets	9,306	22,422	19,837
Total current assets	**1,420,964**	**2,115,063**	**3,062,902**
Current liabilities:			
Borrowings	581,045	461,575	558,618
Trade payables	517,025	916,370	1,493,304
Contract liabilities	117	1,232	259
Lease liabilities	20,391	20,722	15,651
Current income tax liabilities	5,583	29,577	151,931
Convertible bonds	321,304	374,483	–
Other financial liabilities at fair value through profit or loss	2,625,085	–	–
Accruals and other payables	63,776	173,100	94,993
Provisions	3,215	2,353	2,776
Total current liabilities	**4,137,541**	**1,979,412**	**2,317,532**
Net current (liability)/assets	**(2,716,577)**	**135,651**	**745,370**

Comparison between September 30, 2025 and December 31, 2024

Source Photonics' net current assets increased from RMB135.7 million as of December 31, 2024 to RMB745.4 million as of September 30, 2025, primarily due to (i) an increase in trade receivables from RMB873.9 million to RMB1,373.8 million, (ii) an increase in inventories from RMB844.2 million to RMB1,248.2 million, (iii) a decrease in lease liabilities from RMB20.7 million to RMB15.7 million and (iv) an increase in prepayments and other receivables from RMB62.1 million to RMB74.5 million, mainly attributable to the increase in the balance of prepayments for goods not yet received, partially offset by an increase in trade payables from RMB916.4 million to RMB1,493.3 million and an increase in current income tax liabilities from RMB29.6 million to RMB151.9 million, mainly attributable to the reclassification of the convertible bonds account to other payables following confirmation that the bonds would not be converted as of September 30, 2025.

Comparison between December 31, 2024 and December 31, 2023

Source Photonics' net current liabilities increased from RMB2,716.6 million as of December 31, 2023 to net current assets of RMB135.7 million as of December 31, 2024, primarily due to (i) a decrease in financial liabilities at fair value through profit or loss from RMB2,625.1 million to nil, (ii) an increase in trade receivables from RMB478.8 million to RMB873.9 million, (iii) an increase in inventories from RMB525.6 million to RMB844.2 million and (iv) a decrease in borrowings from RMB581.0 million to RMB461.6 million, partially offset by an increase in trade payables from RMB517.0 million to RMB916.4 million.

INDEBTEDNESS

The table below sets forth the indebtedness as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	(in RMB thousands)		
Current			
Borrowings	581,045	461,575	558,618
Lease liabilities	20,391	20,722	15,651
Subtotal	601,436	482,297	574,269
Non-current			
Borrowings	11,766	–	10,000
Lease liabilities	126,323	107,039	97,738
Subtotal	138,089	107,039	107,738
Total	**739,525**	**589,336**	**682,007**

Borrowings

As of December 31, 2023 and 2024 and as of September 30, 2025, Source Photonics had borrowings of RMB592.8 million, RMB461.6 million and RMB568.6 million, respectively. The table below sets for the categories of borrowings of Source Photonics as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2025	2025
	(in RMB thousands)		
Within 1 year	581,045	461,575	558,618
Between 1 and 2 years	11,766	–	10,000
Between 2 and 5 years	–	–	–
Total	**592,811**	**461,575**	**568,618**

Lease Liabilities

Lease liabilities of Source Photonics, including current and non-current portions, were primarily in relation to Source Photonics' lease of land use rights and buildings used in its operations.

As of December 31, 2023, and 2024, and September 30, 2025, the balance of Source Photonics' lease liabilities, including both current and non-current portions, was RMB146.7 million, RMB127.8 million and RMB113.4 million, respectively. These decrease primarily reflect the termination of certain leases.

CONTINGENT LIABILITIES

As of September 30, 2025, Source Photonics did not have any material contingent liabilities. During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, Source Photonics did not have any bank and other loans, or any issued and outstanding or agreed to be issued loan capital, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptances (other than ordinary trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or finance lease commitments, guarantees or other material contingent liabilities.

Directors of Source Photonics confirm that there has not been any material change in Source Photonics' indebtedness since September 30, 2025 and up to the Latest Practicable Date. Directors of Source Photonics confirm that during the Track Record Period and up to the Latest Practicable Date, Source Photonics did not have any material defaults or breaches of covenants in repayment of indebtedness.

KEY FINANCIAL RATIOS

	Year Ended/As of December 31,		As of September 30
	2023	2024	2025
	%	%	%
Gross margin(1)	19.0	29.8	27.8
Net profit margin(2)	(6.9)	35.7	13.1
Debt ratio(3)	188.6	68.3	66.1

Notes:

(1) Gross margin was calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(2) Net profit margin was calculated as net profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(3) Debt ratio was total liabilities divided by total assets as of the relevant date and multiplied by 100%.

DIVIDEND POLICY

Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 －上市公司現金分紅(2025年修訂)》), and the Articles of Association, we are required to pay cash dividends of no less than 10% of the distributable profits recorded in the fiscal year.

During the Track Record Period, we declared dividends as follows:

	For the Year Ended December 31,		
	2023	2024	2025
	(in RMB thousands)		
Dividends attributable to the year	187,313	425,319	118,795

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

DISTRIBUTABLE RESERVE

As of December 31, 2025, our consolidated retained profit amounted to RMB10,538.4 million, which is available for distribution to our Shareholders.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this document, our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

Our **[REDACTED]** are estimated to be approximately HK$**[REDACTED]** (including **[REDACTED]**), accounting for **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** stated in this document, and no exercise of the **[REDACTED]**). Among our **[REDACTED]**, approximately HK$**[REDACTED]** million is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the **[REDACTED]**, and approximately HK$**[REDACTED]** has been or will be charged to our consolidated statements of profit or loss and other comprehensive income of which HK$[1.2] million has been charged to our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. The **[REDACTED]** we expect to incur would consist of approximately HK$**[REDACTED]** related expenses and fees (including but not limited to **[REDACTED]** and fees), approximately HK$**[REDACTED]** expenses and fees of the Joint Sponsors, legal advisors and reporting accountant and approximately HK$**[REDACTED]** for other **[REDACTED]** fees and expenses.

NO MATERIAL ADVERSE CHANGE AND RECENT DEVELOPMENTS

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial position since December 31, 2025, and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix IA and IB this document.

OVERVIEW

As of the Latest Practicable Date, the equity interest of our Company was controlled directly as to approximately 16.53% by Mr. Yuan Yonggang (袁永剛), approximately 13.51% by Mr. Yuan Yongfeng (袁永峰, the elder brother of Mr. Yuan Yonggang) and approximately 3.21% by Mr. Yuan Fugen (袁富根, the father of Mr. Yuan Yonggang and Mr. Yuan Yongfeng), which were collectively entitled to exercise approximately 33.26% of the voting rights at general meetings of the Company as of the Latest Practicable Date. For biographical details of Mr. Yuan Yonggang and Mr. Yuan Yongfeng, see "Directors and Senior Management". For a simplified corporate structure chart of our Group before the **[REDACTED]**, see "History, Development and Corporate Structure" in this Document.

Accordingly, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen will control in aggregate approximately **[REDACTED]**% of the total issued share capital of our Company. As such, Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen will together constitute the Largest Group of Shareholders upon **[REDACTED]** under the Listing Rules.

DELINEATION OF BUSINESS BETWEEN US AND THE LARGEST GROUP OF SHAREHOLDERS

Principal Business of the Group

Through our commitment to innovation and a culture of continuous improvement, we have since evolved into a global leader in intelligent manufacturing. The principal business of the Group includes designing, manufacturing and selling PCBs, precision components, touch panels and LCMs and optical transceivers. By leveraging synergies across R&D, engineering, supply chain and operations, we deliver comprehensive solutions and offer an extensive multi-product portfolio to leading global technology companies. For details, see "Business – Our Products."

Other Principle Business of the Largest Group of Shareholders

In addition to their interest in our Group, as of the Latest Practicable Date, the Largest Group of Shareholders and their close associates were also actively involved in businesses set forth below. There is a clear business delineation between these other businesses of the Largest Group of Shareholders and the Group's operations.

Anhui Landun Photoelectron Co., Ltd. (安徽藍盾光電股份有限公司, "**Anhui Landun**") is held as to 23.61% by Mr. Yuan Yonggang as of the Latest Practicable Date. Mr. Yuan Yonggang has also served as a director at Anhui Landun since January 2019. Anhui Landun was incorporated in the PRC in December 2001 and listed on the Shenzhen Stock Exchange in August 2020 with stock code 300862.SZ. Anhui Landun primarily engages in development and production of analytical measuring instruments and system integration used for ecological and environmental monitoring (air quality, water quality, noise, etc.), traffic management, and meteorological observation, and manufacturing of chemical raw materials and chemical products.

Shanghai Corkuna New Material Technologies Co., Ltd. (上海科谷納新材料科技有限公司, "**Shanghai Corkuna**") is held as to 35.96% by Mr. Yuan Yonggang, who is also Shanghai Corkuna's chairman of the board, as of the Latest Practicable Date. Incorporated in June 2019 in the PRC, Shanghai Corkuna primarily engages in the design, development, formulation, and production of specialty functional coating materials.

Each of the member of Largest Group of Shareholders confirms that, as of the Latest Practicable Date, he did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of our Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business.

NON-COMPETE UNDERTAKINGS

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange, subsequent refinancings and in order to avoid any potential competition between our Group and the Largest Group of Shareholders, the Largest Group of Shareholders provided non-competition undertakings in favor of our Company on April 9, 2010, June 11, 2018 and May 18, 2024, respectively (the "**Non-competition Undertakings**"). Pursuant to the Non-competition Undertakings, each of the member of Largest Group of Shareholders has undertaken that:

(i) the Largest Group of Shareholders and their related parties shall not directly or indirectly engage in any business that substantially competes or may substantially compete with the business operated by the Group;

(ii) if competition arises between the companies controlled by the Largest Group of Shareholders and the Group, the Largest Group of Shareholders shall, upon request by the Company, dispose of all their interests in such companies and the Group is granted with the right of first refusal to acquire the relevant interests;

(iii) if the Largest Group of Shareholders and their related parties fail to comply with the relevant undertakings, they shall compensate the Group and the Shareholders for direct and indirect losses incurred therefrom.

INDEPENDENCE FROM OUR LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Largest Group of Shareholders and their close associates after the **[REDACTED]**.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon **[REDACTED]**, our Board will consist of eleven Directors comprising five executive Directors, two non-executive Directors and four independent non-executive Directors. For more information, see "Directors and Senior Management."

As of the Latest Practicable Date, except for Mr. Yuan Yonggang (our Chairman and non-executive Director) and Mr. Yuan Yongfeng (our Executive Director and general manager), there was no other Director and senior management who is a member of the Largest Group of Shareholders. Hence, we have sufficient Board and senior management team members who do not hold any position in and are not the member of Largest Group of Shareholders and/or their respective close associates. Our Directors consider that the Board and senior management of our Company are capable of functioning independently of our Largest Group of Shareholders for the following reasons:

(i) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of the Group;

(ii) each Director is aware of her/his fiduciary duties as a director which require, among other things, that he/she must act for the benefit and in the interest of our Company and the Shareholders as a whole, and not allow any conflict between her/his duties as a Director and her/his personal interests;

(iii) the decision-making mechanism of our Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interests, including requiring a Director to abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest;

(iv) furthermore, Mr. Yuan Yonggang, as a non-executive Director, is responsible for overall strategies and development of the Company, and is mainly participating in our Company's management through attending board meetings. In addition, we have four independent non-executive Directors and our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and a majority of them have experiences as independent directors of listed companies and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole;

(v) as an A-share listed company, we have formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shenzhen Stock Exchange. Our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of her/his close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and

(vi) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Largest Group of Shareholders which would support our independent management. See "— Corporate Governance Measures" in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Largest Group of Shareholders after the **[REDACTED]**.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Largest Group of Shareholders. We have complete production, research and development, management, purchasing and sales business systems, capable of conducting business independently in the market. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Largest Group of Shareholders and their respective close associates after the **[REDACTED]**:

(i) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Largest Group of Shareholders;

(ii) we have independent access to our customers and suppliers;

(iii) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and

(iv) none of our Largest Group of Shareholders or their respective close associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently from our Largest Group of Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department and specialized personnels responsible for discharging the financial management, accounting, reporting, funding and treasury function of our Group. We are capable of obtaining financing from third parties, if necessary, without reliance on our Largest Group of Shareholders and their respective close associates. We have bank accounts independent of our Largest Group of Shareholders, and our Largest Group of Shareholders are not in position to interfere with the Group's disposal of funds.

As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Largest Group of Shareholders to us.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on, our Largest Group of Shareholders and their respective close associates after the **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

We have adopted, among others, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Largest Group of Shareholders:

(i) where a Shareholders' meeting is to be held for considering proposed transactions in which our Largest Group of Shareholders or any of their respective close associates have a material interest, the relevant Largest Group of Shareholders or close associates will not vote on the relevant resolutions;

(ii) our Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions or related party transactions with our Largest Group of Shareholders or any of their close associates, our Company will comply with the applicable laws and regulations, including Listing Rules;

(iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Largest Group of Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by applicable laws and regulations, including Listing Rules;

(v) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;

(vi) we have appointed Somerley Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(vii) we have established the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy and ESG Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Largest Group of Shareholders, and to protect our minority Shareholders' interests after the **[REDACTED]**.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of the Company was RMB1,831,607,532, comprising 1,831,607,532 A Shares of nominal value RMB1.00 each, all of which are listed on the main board of the Shenzhen Stock Exchange.

	Number of Shares	Approximately % of issued share capital
A Shares in issue(1)	1,831,607,532	100.00

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the issued share capital of the Company will be as follows:

	Number of Shares	Approximately % of issued share capital
A Shares in issue(1)	1,831,607,532	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	100.00%

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is exercised in full), the issued share capital of the Company will be as follows:

	Number of Shares	Approximately % of issued share capital
A Shares in issue(1)	1,831,607,532	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	100.00%

Note:

(1) Including 5,791,000 repurchased A Shares held by the Company as treasury shares as of the Latest Practicable Date, which did not carry any Shareholders' rights, including but not limited to voting rights at the Shareholders' meeting and dividend rights.

THE SHARES

Upon the completion of the **[REDACTED]**, the Shares will consist of A Shares and H Shares. The A Shares and H Shares are all ordinary Shares in the share capital of the Company and are considered as one class of Shares. Apart from certain qualified domestic institutional investors in the Chinese mainland, the qualified investors in the Chinese mainland under the Shenzhen-Hong Kong Stock Connect (if the H Shares are eligible securities for that purpose) and other persons who are entitled to hold the H Shares pursuant to relevant PRC law or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons in the Chinese mainland.

Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between the Chinese mainland and Hong Kong. The A Shares can be traded by investors in the Chinese mainland, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As the A Shares are eligible securities under the Northbound Trading Link, they can also be traded by Hong Kong and other overseas investors pursuant to the rules and limits of the Shenzhen-Hong Kong Stock Connect. If the H Shares are eligible securities under the Southbound Trading Link, they can also be traded by investors in the Chinese mainland in accordance with the rules and limits of the Shenzhen-Hong Kong Stock Connect.

The A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of the A Shares and H Shares may be different after the **[REDACTED]**. The Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (H股公司境內未上市股份申請「全流通」業務指引) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A Shares held by them into H Shares for **[REDACTED]** and **[REDACTED]** on the Stock Exchange.

RANKING

The A Shares and H Shares are regarded as one class of Shares under the Articles of Association and shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this document.

APPROVAL FROM A SHAREHOLDERS REGARDING THE [REDACTED]

The Company obtained its A Shareholders' approval to issue H Shares and seek the **[REDACTED]** of H Shares on the Stock Exchange at the extraordinary general meeting of the Company held on November 3, 2025. Such approval is subject to the following conditions:

(i) *Size of the* **[REDACTED]**. The proposed number of H Shares to be **[REDACTED]** shall not exceed **[REDACTED]**% of the total issued share capital enlarged by the H Shares to be issued pursuant to the **[REDACTED]** (before the exercise of the **[REDACTED]**). The number of H Shares to be issued pursuant to the full exercise of the **[REDACTED]** shall not exceed **[REDACTED]**% of the total number of H Shares to be **[REDACTED]** initially under the **[REDACTED]**.

(ii) *Method of* **[REDACTED]**. The method of **[REDACTED]** shall be by way of an international **[REDACTED]** to institutional investors and a public **[REDACTED]** for **[REDACTED]** in Hong Kong.

(iii) *Target investors.* The H Shares shall be issued to public investors in Hong Kong under the **[REDACTED]** and international investors, qualified domestic institutional investors in the Chinese mainland and other investors who are approved by mainland Chinese regulatory bodies to invest in the **[REDACTED]**.

(iv) **[REDACTED]** *basis.* The **[REDACTED]** price of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of the Company, acceptance of investors and the risks related to domestic and overseas capital market and the **[REDACTED]**, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) *Validity period.* The **[REDACTED]** of H Shares and **[REDACTED]** of H Shares on the Stock Exchange shall be completed within 24 months from the date of the Shareholders' meeting which was held on November 3, 2025.

As of the Latest Practicable Date, there is no other approved **[REDACTED]** plan for the Shares except the **[REDACTED]**.

GENERAL MEETINGS

For details of circumstance under which general meetings of the Company are required, see "Summary of the Articles of Association — Shareholders and Shareholders' General Meetings" in Appendix III to this document.

So far as the Directors are aware, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the following persons will have an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 5% or more of the issued voting Shares of the Company.

Name of shareholders	Capacity and nature of interest	Shares held as of the Latest Practicable Date		Shares immediately following the [REDACTED][(1)]	
		in A Shares	in total issued share capital	in A Shares	in total issued share capital
Mr. Yuan Yonggang[(2)]	Beneficial owner	16.53%	16.53%	[16.53]%	**[REDACTED]**%
Mr. Yuan Yongfeng[(2)]	Beneficial owner	13.51%	13.51%	[13.51]%	**[REDACTED]**%

Note:

(1) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) As of the Latest Practicable Date, Mr. Yuan Yonggang pledged 104,828,000 A Shares, representing approximately 5.72% of the total issued share capital of the Company and Mr. Yuan Yongfeng pledged 56,883,800 A Shares, representing approximately 3.11% of the total issued share capital of the Company. For details, see "—Share Pledges by Mr. Yuan Yonggang and Mr. Yuan Yongfeng" of this section.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 5% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE PLEDGES BY MR. YUAN YONGGANG AND MR. YUAN YONGFENG

Mr. Yuan Yonggang and Mr. Yuan Yongfeng have from time to time pledged the A Shares they owned to certain PRC securities companies regulated by the CSRC as collateral in order to obtain financing for their own capital needs. As of the Latest Practicable Date, Mr. Yuan Yonggang pledged 104,828,000 A Shares, representing approximately 5.72% of the total issued share capital of the Company and Mr. Yuan Yongfeng pledged 56,883,800 A Shares, representing approximately 3.11% of the total issued share capital of the Company.

To the best knowledge of our Directors having made all reasonable enquiries, there has not been any adverse credit records against Mr. Yuan Yonggang or Mr. Yuan Yongfeng in respect of any breach of repayment obligations under its indebtedness.

Each of Mr. Yuan Yonggang and Mr. Yuan Yongfeng has confirmed that, if there is a risk of default or other circumstances that may give rise to the enforcement of the pledged A Shares, Mr. Yuan Yonggang and Mr. Yuan Yongfeng shall take all necessary actions, such as provision of additional collaterals and repayment of loans, to avoid such enforcement.

The Group has assigned dedicated staff to closely monitor any changes in any pledge, disposal or creation of encumbrance over shares held by the Largest Group of Shareholders. The Largest Group of Shareholders shall also inform the Company of (i) the number of shares pledged, (ii) the loan balance, margin ratio and covenant status, and (iii) any risk triggers (e.g., market price declines or covenant breaches) immediately after such occasions for monitoring and ensuring compliance with Rule 10.07 of the Listing Rules. The Company also closely monitors the daily updates on share pledge provided by China Securities Depository and Clearing Corporation Limited to ensure compliance with relevant laws and regulations.

OVERVIEW

The Board consists of eleven Directors, comprising five executive Directors, two non-executive Directors and four independent non-executive Directors. The Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

DIRECTORS

The following table sets forth the information about the Directors:

Name	Age	Position	Time of joining the Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Yuan Yonggang (袁永剛)	46	Chairman and non-executive Director	October 1998	December 14, 2007	Responsible for overall strategies and development of the Company	Younger brother of Mr. Yuan Yongfeng
Mr. Yuan Yongfeng (袁永峰)	49	Executive Director and general manager	October 1998	December 14, 2007	Responsible for overall operation and development of the Company	Elder brother of Mr. Yuan Yonggang
Mr. Zhao Xiutian (趙秀田)	62	Deputy chairman and non-executive Director	December 2009	December 10, 2010	Responsible for overseas business, strategic investment and merger and acquisitions of the Company	None
Mr. Shan Jianbin (單建斌)	49	Executive Director and executive president	March 2016	January 16, 2017	Responsible for execution of business management	None
Mr. Wang Xu (王旭)	43	Executive Director, senior vice president of the Company and chief financial officer	April 2013	January 16, 2017	Responsible for the Company's financial operation	None
Ms. Mao Xiaoyan (冒小燕)	45	Executive Director, secretary of the Board and deputy general manager of the Company	August 2010	July 15, 2013	Responsible for security affairs and investor relationship of the Company	None
Mr. Ma Liqiang (馬力強)	44	Executive Director, employee representative Director, chairman of touch display business division and Chinese president of Multek business division	September 2006	November 3, 2025	Responsible for overall operation and management of Multek business division	None

Name	Age	Position	Time of joining the Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Dr. Wang Leigang (王雷剛)	62	Independent non-executive Director	May 2026	May 15, 2026	Supervising and providing independent opinion and judgment to the Board	None
Mr. Poon Wing Shing Anthony (潘永誠)	53	Independent non-executive Director	May 2026	May 15, 2026	Supervising and providing independent opinion and judgment to the Board	None
Mr. Cai Weihua (蔡衛華)	45	Independent non-executive Director	May 2026	May 15, 2026	Supervising and providing independent opinion and judgment to the Board	None
Dr. Xu Weidong (徐維東)	45	Independent non-executive Director	November 2025	November 3, 2025	Supervising and providing independent opinion and judgment to the Board	None

Save as disclosed above, none of the Directors and senior management of the Company is related to the other Directors or senior management of the Company. Save as disclosed in this section, (i) none of the Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document; (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Executive Directors and Non-executive Directors

Mr. Yuan Yonggang (袁永剛), aged 46, is the chairman of the Board and a non-executive Director of the Company. Mr. Yuan has been the chairman of the Board and a Director since December 2007. He successively served as the director of marketing division of the Company, a deputy manager of the Company and the deputy chairman of the Board from October 1998 to December 2007. He is also currently a director of several subsidiaries of the Group. Mr. Yuan was redesignated as a non-executive Director on November 3, 2025, with effect from the **[REDACTED]** Date. He is primarily responsible for overall strategies and development of the Company.

Mr. Yuan is also currently the vice president of Jiangsu Chamber of Commerce (江蘇省總商會), the vice president of Suzhou Federation of Industry and Commerce (蘇州工商業聯合會), a representative of the Seventeenth Suzhou Municipal People's Congress (蘇州市第十七屆人民代表大會) and the chairman of Suzhou Chamber of Commerce for International Economic Cooperation (蘇州市民營經濟國際合作商會).

Mr. Yuan has also been a director of Anhui Landun Photoelectron Co., Ltd., (安徽藍盾光電子股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code 300862.SZ) since January 2019.

Mr. Yuan obtained his bachelor's degree in information engineering from University of Hull in Great Britain in July 2006.

Mr. Yuan Yongfeng (袁永峰), aged 49, is an executive Director and the general manager of the Company. Mr. Yuan joined our Group in October 1998 and has been an Director and the general manager of the Company since December 2007. Previously, he successively served as a director of manufacturing division and the supervisor of the Company from October 1998 to November 2007. He is also a director of several subsidiaries within the Group. Mr. Yuan was redesignated as an executive Director on November 3, 2025, with effect from the **[REDACTED]** Date. He is primarily responsible for overall operation and development of the Company.

In addition, Mr. Yuan is currently a member of the Suzhou Wuzhong District Committee of the CPPCC (政協蘇州市吳中區委員會), and the head of Suzhou Dongshan Town Chamber of Commerce (蘇州市東山鎮商會).

Previously, Mr. Yuan served as a director of Suzhou Toprun Electric Equipment Co., Ltd. (蘇州騰冉電氣設備股份有限公司, a company listed on the National Equities Exchange and Quotations, stock code 832117.NQ, "**Suzhou Toprun**") from October 2014 to December 2024.

Mr. Yuan obtained his college diploma in public finance and taxation from Jiangsu Open University (江蘇開放大學, formerly known as Jiangsu Radio and Television University (江蘇廣播電視大學)) in the PRC in July 1998.

Mr. Zhao Xiutian (趙秀田), aged 62, is the deputy Chairman of the Board and a non-executive Director of the Company. Mr. Zhao joined the Company in December 2009 and served as a deputy general manager from December 2010 to May 2020. He has been the deputy Chairman of the Board since May 2020 and a Director of the Company since December 2010. He was redesignated as a non-executive Director on November 3, 2025 with effect from the **[REDACTED]** Date. Mr. Zhao is primarily responsible for overseas business, strategic investment and merger and acquisitions of the Company.

From March 1993 to November 2009, Mr. Zhao has worked at multiple US-based corporations, equipping himself with rich experience in the industry.

Mr. Zhao obtained his bachelor's degree in Science from Sun Yat-sen University (中山大學) in the PRC in July 1985 and he obtained his master's degree in Science from Old Dominion University in the United States in May 1992.

Mr. Shan Jianbin (單建斌), aged 49, is an executive Director and the executive president of the Company. Mr. Shan joined the Company in 2016. He has been serving as a Director since January 2017 and the executive president since May 2020. Mr. Shan is also serving as a director of several subsidiaries of the Company. He was redesignated as an executive Director on November 3, 2025 with effect from the **[REDACTED]** Date. He is primarily responsible for execution of business management of the Company.

Prior to joining the Company, Mr. Shan served as section chief, head of the division and director general successively at Mektec Manufacturing Corporation (Zhuhai), Ltd. (珠海紫翔電子科技有限公司) from July 1998 to October 2015 and is currently the vice chairman of China Printed Circuit Association (中國電子電路行業協會).

Mr. Shan obtained his bachelor's degree in machinery design and manufacture from Jiangnan University (江南大學, formerly known as Wuxi University of Light Industry (無錫輕工大學)) in the PRC in June 1998.

Mr. Wang Xu (王旭), aged 43, is an executive Director, a senior vice president of the Company and the chief financial officer of the Company. Mr. Wang has served as a Director since January 2017, a senior vice president of the Company since December 2021, a deputy general manager from December 2013 to December 2021 and the chief financial officer of the Company since October 2013. Currently, Mr. Wang is also holding directorship in several subsidiaries of the Company. He was redesignated as an executive Director on November 3, 2025 with effect from the **[REDACTED]** Date. Previously, he was the deputy finance director of the Company from April 2013 to September 2013. He is primarily responsible for the Company's financial operation.

Prior to joining the Company, Mr. Wang served at Kunshan Fengrui United Accounting Firm (昆山豐瑞聯合會計師事務所) from June 2002 to June 2006, and as the deputy manager, the manager of accounting division, an assistant to the director of the finance department and the deputy director of the finance department of Suzhou Good-ark Electronics Co., Ltd. (蘇州固鍀電子股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code 002079.SZ) from March 2007 to March 2013.

Mr. Wang has been serving as a director of Suzhou Leigete Intelligent Technology Co., Ltd. (蘇州雷格特智能設備股份有限公司, a company listed on the National Equities Exchange and Quotations, stock code 836812.NQ) since February 2010. He is also currently an external supervisor for master's programs in accounting and/or auditing at Dongwu Business School of Soochow University (蘇州大學東吳商學院), Business School of Jiangsu Normal University (江蘇師範大學商學院), and Business School of Nanjing University of Information Science and Technology (南京信息工程大學商學院).

Mr. Wang obtained his college diploma in Accounting from Nanjing University of Finance and Economics (南京經濟學院) in the PRC in June 2001 and he obtained his master's degree in business administration from Xiamen University (廈門大學) in the PRC in June 2016. Mr. Wang has also been qualified as a member of the Chinese Institute of Certified Public Accountants since December 2009.

Ms. Mao Xiaoyan (冒小燕), aged 45, is an executive Director, secretary of the Board and deputy general manager of the Company. She has been serving as a Director since July 2013, a deputy general manager and the secretary of the Board since August 2012 and was redesignated as an executive Director on November 3, 2025 with effect from the **[REDACTED]** Date. Ms. Mao served as an assistant to the chairman of the Board and the representative of security affairs of the Company from August 2010 to July 2012. Besides, Ms. Mao is also serving as a director or a supervisor in several companies within the Group. She is primarily responsible for security affairs and investor relationship of the Company.

Prior to joining the Company, Ms. Mao served as the secretary to the chairman of the board of Suzhou Huacheng Group Co., Ltd. (蘇州華成集團有限公司, formerly known as Suzhou Huacheng Automobile Trading Group Co., Ltd. (蘇州華成汽車貿易集團有限公司)) from August 2003 to August 2004 and the vice director of the board secretary's office at JiangSu WuZhong Pharmaceutical Development Co., Ltd. (江蘇吳中醫藥發展股份有限公司, formerly known as JiangSu WuZhong Industrial Co., Ltd. (江蘇吳中實業股份有限公司)) from January 2005 to July 2010.

Ms. Mao obtained her bachelor's degree in information management and information system from Nanjing University of Science and Technology (南京理工大學) in the PRC in July 2003 and she obtained her master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in November 2024.

Mr. Ma Liqiang (馬力強), aged 44, is an executive Director, employee representative Director, chairman of touch display business division and Chinese president of Multek business division. He was designated as an executive Director on November 3, 2025 with effect from the **[REDACTED]** Date. Previously, he was chairman of the board of supervisors of the Company from January 2017 to November 2025. He joined the Company in October 2006 and is primarily responsible for overall operation and management of touch display business division and Multek business division. Mr. Ma is also serving as a director or the general manager of several subsidiaries of the Company.

Mr. Ma has worked at Suzhou Jinhua Shengzhiye Co., Ltd. (蘇州金華盛紙業有限公司) from June 2005 to January 2006 and Dongshan Optoelectronics (Suzhou) Co., Ltd. (東山光電（蘇州）有限公司) from April 2006 to September 2006.

Mr. Ma obtained his college diploma in human resource management from Soochow University (蘇州大學) in the PRC in December 2003.

Independent Non-Executive Directors

Dr. Wang Leigang (王雷剛), aged 62, was appointed as an independent non-executive Director on May 15, 2026. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Wang has been serving as a professor and doctoral supervisor of the Department of Materials Forming and Process Technologies affiliated to the School of Materials Science & Engineering at Jiangsu University (江蘇大學材料科學與工程學院材料成型及控製工程繫) since July 2004. Besides, he has been serving as an independent director of Jiangyin Hengrun Heavy Industries Co., Ltd. (江陰市恒潤重工股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 603985) since August 2014 and Jiangsu Rongtai Industry Co., Ltd. (江蘇嶸泰工業股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 605133) since November 2024. Dr. Wang also successively served as a lecturer, associate professor, professor, doctoral supervisor of Hefei University of Technology (合肥工業大學) from June 1989 to June 2004.

Dr. Wang obtained his doctorate degree in engineering from Yanshan University (燕山大學) in the PRC in September 2001 and a bachelor's degree in engineering from Hefei University of Technology (合肥工業大學) in the PRC in June 1986.

Mr. Poon Wing Shing Anthony (潘永誠), aged 53, was appointed as an independent non-executive Director on May 15, 2026. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Poon has been serving as a legal advisor of China Resources Longdation Company Limited (華潤隆地有限公司) since January 2025. Mr. Poon also served as the senior deputy general manager of China Resources (Holdings) Company Limited (華潤（集團）有限公司) from November 2006 to December 2024, a legal advisor of Pacific Century Premium Developments Limited (盈科大衍地產發展有限公司, a company listed on the Stock Exchange, stock code: 00432) from August 2005 to November 2006, a senior associate of Allen Overy Shearman Sterling LLP from March 2000 to July 2005 and an associate of Gallant (何耀棣律師事務所) from July 1996 to February 2000.

Mr. Poon obtained his bachelor's degree in science from the University of Western Ontario in Canada in August 1994.

Mr. Cai Weihua (蔡衛華), aged 45, was appointed as an independent non-executive Director on May 15, 2026. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Cai has been serving as a partner of Gongzheng Tianye Certified Public Accountants, SGP (公證天業會計師事務所（特殊普通合夥）) since November 2023; a partner of Jonten Certified Public Accountants (Special General Partnership) (中天運會計師事務所（特殊普通合夥）) Jiangsu Branch from January 2018 to October 2023 and a project manager, a senior manager and a salaried partner of Tianheng Certified Public Accountants (Special General Partnership) (天衡會計師事務所（特殊普通合夥）) successively from June 2007 to January 2018. In addition, Mr. Cai served as the financial director of Nanjing Nanfang Gaoke Communications & Digital Products Sales Co., Ltd. (南京南方高科通訊數位產品銷售有限公司) from May 2005 to March 2007, a managing accountant of Nanjing SHARP Electronics Co., Ltd. (南京夏普電子有限公司) from April 2004 to April 2005 and a project manager of Nanjing Sanlian Certified Public Accountants Co., Ltd. (南京三聯會計師事務所有限公司) from July 2000 to December 2003.

Previously, Mr. Cai served as an independent director of multiple listed companies, including: Nanjing Vishee Medical Technology Co., Ltd. (南京偉思醫療科技股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 688580) from August 2019 to February 2026, Jiangsu Times Textile Technology Co., Ltd. (江蘇泰慕士針紡科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 001234) from October 2019 to October 2025, Jiangsu Maixinlin Aviation Science And Technology Corp. (江蘇邁信林航空科技股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 688685) from October 2017 to July 2023 and Jiangsu Liba Enterprise Joint-Stock Co., Ltd. (江蘇立霸實業股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 603519) from February 2017 to February 2023.

Mr. Cai obtained his master's degree in accounting from Nanjing University (南京大學) in the PRC in December 2014 and a bachelor's degree in arts from Nanjing Normal University (南京師範大學) in the PRC in July 2010. He has been qualified as a member of the Chinese Institute of Certified Public Accountants (中國注冊會計師協會) since September 2007.

Dr. Xu Weidong (徐維東), aged 45, is an independent non-executive Director of the Company. Dr. Xu was appointed as an independent Director on November 3, 2025. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Xu was also a lecturer at Zhejiang University School of Management (浙江大學管理學院) from February 2011 to December 2012; subsequently, he has served as associate professor at the same school since January 2013. Dr. Xu served as an independent non-executive Director at Zhejiang Jiemei Electronic And Technology Co., Ltd. (浙江潔美電子科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code 002859.SZ) since December 2022.

Dr. Xu obtained his bachelor's degree in mathematics from Ningxia University (寧夏大學) in June 2004 in the PRC and his master's degree in mathematics from Shanghai Jiao Tong University (上海交通大學) in March 2007 in the PRC, where he also obtained his doctoral degree in management in March 2011.

SENIOR MANAGEMENT

The Group's senior management team is responsible for the day-to-day management and operation of its business. The executive Directors are also members of the Group's senior management. For their biographies, see "— Directors — Executive Directors and Non-executive Directors" above.

Name	Age	Position	Time of joining the Group	Date of appointment as a member of senior management	Roles and responsibilities
Mr. Yuan Yongfeng (袁永峰)	49	Executive Director and general manager	October, 1998	December 14, 2007	Responsible for overall operation and development of the Company
Mr. Shan Jianbin (單建斌)	49	Executive Director and executive president	March 2016	May 29, 2020	Responsible for execution of business management
Mr. Wang Xu (王旭)	43	Executive Director, senior vice president of the Company and chief financial officer	April 2013	October 14, 2013	Responsible for the Company's financial operation

Name	Age	Position	Time of joining the Group	Date of appointment as a member of senior management	Roles and responsibilities
Ms. Mao Xiaoyan (冒小燕)	45	Executive Director, secretary of the Board and deputy general manager of the Company	August 2010	August 23, 2012	Responsible for security affairs and investor relationship of the Company
Dr. Li Ting Wei	64	Deputy general manager, Chief Strategy Officer of the Company and Co-CEO of Source Photonics business division	March 2026	March 25, 2026	Responsible for coordination of Company's overall strategy and Source Photonics's global resources

Mr. Yuan Yongfeng (袁永峰), aged 49, is an executive Director and the general manager of the Company. For his biography, see "— Directors — Executive Directors and Non-executive Directors".

Mr. Shan Jianbin (單建斌), aged 49, is an executive Director and the executive president of the Company. For his biography, see "— Directors — Executive Directors and Non-executive Directors".

Mr. Wang Xu (王旭), aged 43, is an executive Director, a senior vice president of the Company and chief financial officer. For his biography, see "— Directors — Executive Directors and Non-executive Directors".

Ms. Mao Xiaoyan (冒小燕), aged 45, is an executive Director, secretary of the Board and deputy general manager of the Company. For her biography, see "— Directors — Executive Directors and Non-executive Directors".

Dr. Li Ting Wei, aged 64, has been serving as a deputy general manager, Chief Strategy Officer of the Company and Co-CEO of Source Photonics business division since March 2026.

Dr. Li has been serving as an independent director of SeeYA Technology Corp. (視涯科技股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 688781) since September 2023 and Verisilicon Microelectronics (Shanghai) Co., Ltd. (芯原微電子(上海)股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 688521) from July 2025. He was also an independent director of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600895) from June 2021 to August 2024.

Previously, Dr. Li served as a technology representative of Lucent Technologies, Inc. from April 1998, the head of Shanghai Branch and a senior director of Qualcomm Technologies, Inc. (a company listed on the NASDAQ, symbol: QCOM) from August 2002 to May 2010 and the vice president and general manager of Chinese region of Marvell Technology. Inc. (a company listed on the NASDAQ, symbol: MRVL) from June 2010 to July 2013. In addition, from July 2013, Dr. Li also successively served as the senior vice president of global sales and president of Greater China of Broadcom Inc. (a company listed on the NASDAQ, symbol: AVGO), the vice president of sales and president of North America and Europe of Goertek Inc. (歌爾股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002241) and the global senior vice president and chairman of Greater China area of NXP Semiconductors (Shanghai) Co., Ltd. (恩智浦半導體（上海）有限公司).

Dr. Li obtained his doctorate degree in physics from Leiden University in the Netherlands in December 1995. In addition, he attained a master's degree in science from Shanghai Institute of Metallurgy, Chinese Academy of Sciences (中國科學院上海冶金研究所, now known as Shanghai Institute of Microsystem and Information Technology, Chinese Academy of Sciences (中國科學院上海微系統與信息技術研究所)) in the PRC in September 1988 and a bachelor's degree in science from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1982.

JOINT COMPANY SECRETARIES

Ms. Mao Xiaoyan (冒小燕), aged 45, is an executive Director, secretary of the Board, deputy general manager and a Joint Company Secretary of the Company. For her biography, see "— Directors — Executive Directors and Non-executive Directors".

Mr. Tsang Chun Ho (**曾俊豪**), aged 35, is a Joint Company Secretary of the Company. Mr. Tsang is a manager of Company Secretarial Services of Tricor Services Limited (a member of Vistra Group), a global professional services provider specializing in integrated business, corporate and investor services. Mr. Tsang is responsible for provision of corporate secretarial and compliance services to listed company clients. He has over twelve years of experience in the company secretarial field.

He obtained a master's degree of business administration from the Hong Kong Metropolitan University in November 2021. Mr. Tsang is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

OTHER INFORMATION

Rule 3.09D of the Listing Rules

Each of the Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in November 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she had no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there were no other factors that may affect his or her independence at the time of his/her appointments.

Rule 8.10(2) of the Listing Rules

Each of the Directors (other than the independent non-executive Directors) confirms that as of the Latest Practicable Date, he or she was not interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business under Rule 8.10(2) of the Listing Rules.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit Committee

The Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit

Committee are to review and supervise both internal and external auditing process, review financial reports, supervise and assess internal controls system of the Group and provide advice and comments to the Board. The Audit Committee comprises Mr. Cai Weihua, Dr. Xu Weidong, Mr. Poon Wing Shing Anthony, Mr. Yuan Yonggang and Mr. Zhao Xiutian, with Mr. Cai Weihua (being an independent non-executive Director with appropriate professional qualifications) as the chairperson.

Nomination Committee

The Board has established the Nomination Committee with written terms of reference in compliance with Rules 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment and removal of Directors and members of senior management. The Nomination Committee comprises Dr. Wang Leigang, Mr. Cai Weihua, Dr. Xu Weidong, Mr. Yuan Yonggang and Ms. Mao Xiaoyan, with Dr. Wang Leigang as the chairperson.

Remuneration and Appraisal Committee

The Board has established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration and Appraisal Committee are to establish and review policies on remuneration packages payable to the Directors and other senior management and to formulate and amend policies on share incentive plans and employee stock ownership plans. The Remuneration and Appraisal Committee comprises Dr. Xu Weidong, Dr. Wang Leigang, Mr. Poon Wing Shing Anthony, Mr. Yuan Yongfeng and Mr. Wang Xu, with Dr. Xu Weidong (being an independent non-executive Director) as the chairperson.

Strategy and ESG Committee

The Board has established the Strategy and ESG Committee with written terms of reference. The primary duties of the Strategy and ESG Committee are to make recommendations to the Board on the Group's long-term development strategies, and advise on major financing plans, capital operation and asset management projects which are subject to the Board's approval. It is also primarily responsible for advising on the Company's strategic goals and policies related to ESG and reviewing the Company's annual ESG reports. The Strategy and ESG Committee comprises Mr. Yuan Yonggang, Dr. Wang Leigang, Dr. Xu Weidong, Mr. Cai Weihua and Mr. Shan Jianbin, with Mr. Yuan Yonggang as the chairperson.

Corporate Governance Code

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Company intends to comply with the code provisions in Part 2 of the Corporate Governance Code after the **[REDACTED]**.

Board Diversity

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining its competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. In reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

Upon **[REDACTED]**, the Board would consist of one female and ten male Directors ranging from 43 to 62 years old with a balanced mix of knowledge and skills, including, but not limited to, overall management and strategic development, accounting and corporate governance in addition to relevant industry experience. They obtained degrees in various majors including machinery design and manufacture, accounting, finance and business administration. Taking into account the Group's existing business model and specific needs, as well as the diverse background of the Directors, the composition of the Board satisfies the board diversity policy.

The Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. The Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its ongoing effectiveness, and will propose any necessary amendments as required, recommending such amendments to the Board for consideration and approval. The Nomination Committee will also include a summary of the board diversity policy in the annual reports.

REMUNERATION

The Directors and senior management of the Company receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, share-based compensation and other benefits in kind.

For the years ended December 31, 2023, 2024 and 2025, the total remuneration paid to the Directors amounted to RMB18.3 million, RMB18.3 million and RMB20.0 million, respectively. None of the Directors waived or agreed to waive any emolument during the Track Record Period.

Under the arrangements in force as of the date of this document, the Company estimates the total remuneration payable to, and benefits in kind receivable by, the Directors by the Group for the year ending December 31, 2026 to be approximately RMB24.4 million.

The five highest paid individuals of the Group for the years ended December 31, 2023, 2024 and 2025 included 4, 4 and 5 Directors, respectively. During the same year/period, the aggregate amount of remuneration of the five highest paid individuals was RMB16.9 million, RMB16.9 million and RMB18.1 million, respectively.

During the Track Record Period, no remuneration was paid to, or received by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or received by, the Directors, former Directors or the five highest paid individuals for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

Save as disclosed above, no other payments have been made or are payable by the Group to the Directors in respect of the Track Record Period.

COMPLIANCE ADVISOR

The Company has appointed Somerley Capital Limited as the Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide the Company with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will, amongst other things, advise the Company in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

(iii) where the Group proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the **[REDACTED]** and is expected to end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the **[REDACTED]**.

FUTURE PLANS

For a detailed description of our future plans, see "Business — Our Growth Strategies."

USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share (being the midpoint of the range of **[REDACTED]** stated in this document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expense paid and payable by us in connection with the **[REDACTED]** (assuming the **[REDACTED]** Option is not exercised). In line with our strategies, we intend to use our **[REDACTED]** for the purposes and in the amounts set forth below.

- Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used to construct new facilities and upgrade our existing production facilities and lines, including:

    - Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used to support capacity expansion across both high-speed EML chips and optical modules in order to capture market demand driven by the build-out of AI infrastructure. Through capital support for our optical transceiver business, we will strengthen its business operations and supply chain, enhance its capacity build-out and large-scale delivery capabilities, and consolidate its leading position in the high-end optical module market.

    - Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used to construct new production facilities for Multek in Zhuhai focusing on high-end PCBs. We expect to purchase new manufacturing equipment for our infrastructure enhancement effort, primarily including drilling machine, exposure machine and plating machine, to support the manufacturing of advanced PCBs. The investment is expected to be deployed by approximately **[REDACTED]**% in each year over a two-year period. We expect to complete the rollout of the additional capacity in two phases, with phase I commencing production in the third quarter of 2026 and phase II in the second quarter of 2027. Based on current orders from key customers, as well as our assessment of market demand, we expect the new capacity to achieve a 100% utilization rate upon reaching full ramp-up.

        This investment will address supply gaps and further enhance our portfolio by growing the proportion of advanced PCBs such as high-layer count RPCB and high-build-up HDI, consistent with our commitment to high-end manufacturing capabilities. We believe this will enable us to satisfy medium- to long-term market demand and customers' needs in high-density, high-speed PCBs and optimize our product portfolio to satisfy the increasing demand for AI computing.

        We have obtained the approvals required for the project and are in compliance with applicable industry regulatory requirements. Phase I has obtained all key approval documents and is ready to commence construction, and we will proceed to obtain the remaining approvals and complete the required registrations for Phase II in accordance with applicable laws and regulations. As of the Latest Practicable Date, we have invested approximately HK$777.8 million in the land acquisition, factory construction and equipment procurement for Phase I of the project.

    - Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used to upgrade and enhance our production facilities in China. Specifically, we plan to improve our manufacturing execution and quality management systems and implement additional software upgrades to support our intelligent manufacturing system in production facilities in China.

We expect to purchase smart CNC machine tools, industrial robots, vision inspection systems and 5G industrial modules, to further improve our manufacturing efficiency and level of automation for high-layer-count RPCB. Specifically, approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used for hardware upgrades, including production equipment, data collection systems and infrastructure facilities; approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used for software and service investments, including core software, technical services and supporting services. We expect to deploy these investments over a two-year period on a phased basis, using approximately **[REDACTED]**% of the total amount in the first year and approximately **[REDACTED]**% in the second year. Based on our current assessment of market demand, we expect these initiatives to further increase our production capacity and manufacturing capabilities in AI PCBs. These improvements will enable greater data integration throughout production, increase operational efficiency and improve yield management. Ultimately, these initiatives will strengthen supply chain resilience and enhance our service capabilities.

These investments will enable us to stay aligned with customer needs, expand our portfolio in step with AI-driven demand by concentrating resources on high-growth products and secure positions in tier-one global customers' supply chains. Upon completion of the full investment and achievement of full ramp-up, our PCB production is expected to reach a designed annual production capacity of approximately 636.0 thousand square meters.

- Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used for potential strategic investments or acquisitions to strengthen our technological leadership and leading market position in our core businesses. We may selectively pursue equity investments or acquisitions across the value chain in the PCB, precision component and optical transceiver industries. In assessing potential targets, we would primarily focus on factors including: (i) strategic fit with our core product lines and end markets and the extent to which the target can enhance our key capabilities; (ii) the existence of strong technical moats, including proprietary know-how, differentiated process capabilities, patents or other barriers to entry; (iii) clear product-market fit supported by a competitive and scalable product roadmap; (iv) demonstrable and sustainable customer demand, evidenced by established customer relationships or validated qualification status with reputable customers, which is expected to facilitate cross-selling and deepen our customer penetration; (v) operational quality and scalability, including manufacturing maturity, yield and quality systems, supply chain resilience and capacity expansion potential; and (vi) integration feasibility and execution risk, including cultural fit, management depth and the ease of integrating operations, systems and governance.

  As of the Latest Practicable Date, we have not identified any specific targets nor entered into any definitive agreements.

- Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used for repayment of a portion of our existing indebtedness, including:

  - (i) outstanding balance of RMB**[REDACTED]** under a loan used to finance Phase I construction of Yancheng Dongchuang's precision component production facility in Yancheng, with a maturity date of December 20, 2027 and interest rate of one-year LPR minus 45 basis points per annum;

  - (ii) outstanding balance of RMB**[REDACTED]** under a loan used to finance the Phase II construction of Yancheng Dongchuang's precision manufacturing production facility in Yancheng, with a maturity date of December 21, 2028 and interest rate of one-year LPR minus 45 basis points per annum;

  - (iii) outstanding balance of RMB**[REDACTED]** under a loan used to finance the Phase I construction of Suzhou Dongyue's precision manufacturing production facility in Suzhou, with a maturity date of April 6, 2030 and interest rate of over-five-year LPR minus 100 basis points per annum; and

  - (iv) outstanding balance of RMB**[REDACTED]** under a loan used to finance the Phase II construction of Suzhou Dongyue's precision manufacturing production facility in Suzhou, with a maturity date of June 4, 2034 and interest rate of over-five-year LPR minus 110 basis points per annum.

- Approximately **[REDACTED]**%, or approximately HK$**[REDACTED]**, is expected to be used for working capital and general corporate purposes.

In the event that the **[REDACTED]** is set at the maximum **[REDACTED]** or the minimum **[REDACTED]** of the indicative **[REDACTED]**, the net **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately HK$**[REDACTED]**, respectively (assuming the **[REDACTED]** is not exercised). We intend to apply the additional or reduced net **[REDACTED]** to the above uses on a pro rata basis.

The additional net **[REDACTED]** that we would receive if the **[REDACTED]** was exercised in full would be (i) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the maximum **[REDACTED]**), (ii) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]**) and (iii) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the minimum **[REDACTED]**). To the extent that the net **[REDACTED]** from the **[REDACTED]** (including the net **[REDACTED]** from the exercise of the **[REDACTED]**) are either more or less than expected, we may adjust our **[REDACTED]** of the net **[REDACTED]** for the above purposes on a pro rata basis.

In the event that certain parts of our development plans are hindered due to factors such as changes in government policies or force majeure events, our directors will carefully evaluate the situation and may **[REDACTED]** the net **[REDACTED]** from the **[REDACTED]**. Should there be any significant changes to the intended use of **[REDACTED]**, we will make appropriate disclosures in accordance with the Hong Kong Listing Rules.

To the extent that the net **[REDACTED]** from the **[REDACTED]** are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we will only deposit such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdiction). In such event, we will comply with the appropriate disclosure requirements under the Hong Kong Listing Rules.

[REDACTED]

[REDACTED]

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The following is the text of a report set out on pages [IA-1 to IA-●], received from the Company's reporting accountants, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

PAN-CHINA 天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUZHOU DONGSHAN PRECISION MANUFACTURING CO., LTD. AND UBS SECURITIES HONG KONG LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED, GF CAPITAL (HONG KONG) LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Suzhou Dongshan Precision Manufacturing Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-[●] to IA-[●], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2023, 2024 and 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-[●] to IA-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial **[REDACTED]** of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2023, 2024 and 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-[●] have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

[Confucius International CPA Limited]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended December 31		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	6	33,651,205	36,770,374	40,124,859
Cost of sales	9	(28,970,998)	(32,553,696)	(35,160,571)
Gross profit		**4,680,207**	**4,216,678**	**4,964,288**
General and administrative expenses	9	(1,124,729)	(1,312,533)	(1,562,557)
Selling and marketing expenses	9	(362,094)	(454,018)	(445,146)
Research and development expenses	9	(1,161,190)	(1,266,813)	(1,417,227)
Net impairment losses on financial assets		(39,437)	(44,110)	(63,743)
Other income	7	249,882	523,256	362,768
Other gains, net	8	243,190	8,479	76,346
Operating profit		**2,485,829**	**1,670,939**	**1,914,729**
Finance income	11	225,594	243,072	200,834
Finance costs	11	(500,195)	(445,902)	(424,225)
Finance costs, net	11	(274,601)	(202,830)	(223,391)
Share of net loss of investments in associates	15	(10,821)	(398)	(922)
Impairment provision for investments in associates	15	(9,319)	–	–
Profit before income tax		**2,191,088**	**1,467,711**	**1,690,416**
Income tax expense	12	(226,038)	(382,651)	(297,449)
Profit for the year		**1,965,050**	**1,085,060**	**1,392,967**
Attributable to:				
- Owners of the company	38	1,964,525	1,085,641	1,386,067
- Non-controlling interests		525	(581)	6,900
Earnings per share attributable to the owners of the Company				
- Basic earnings per share	14	1.15	0.64	0.79
- Diluted earnings per share	14	1.15	0.64	0.79

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Profit for the year		**1,965,050**	**1,085,060**	**1,392,967**
Other comprehensive income/loss				
Items that may be reclassified to profit or loss in subsequent periods, net of tax:				
- Currency translation differences of foreign operations		(61,604)	34,435	(10,504)
- Cash flow hedges		39,915	13,126	40,974
Items that may not be reclassified to profit or loss in subsequent periods, net of tax:				
- Changes in the fair value of equity investments at FVOCI		–	–	43,716
- Remeasurement of defined benefit plan		–	–	2,085
Other comprehensive income/(loss) for the year, net of tax		(21,689)	47,561	76,271
Attributable to:				
- Owners of the company		(21,689)	47,561	76,271
- Non-controlling interests		–	–	–
Total comprehensive income for the year		**1,943,361**	**1,132,621**	**1,469,238**
Attributable to:				
- Owners of the company		**1,942,836**	**1,133,202**	**1,462,338**
- Non-controlling Interests		**525**	**(581)**	**6,900**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*18*	15,309,501	17,272,871	20,160,205
Investment properties	*19*	1,039	781	142,555
Right-of-use assets	*20*	1,588,132	1,772,723	2,495,668
Deferred tax assets	*23*	586,003	465,911	829,763
Trade receivables	*24*	–	–	280,287
Intangible assets	*21*	2,473,057	2,344,753	5,602,244
Investments in associates	*15*	155,407	155,009	126,566
Equity investments at fair value through other comprehensive income	*16*	278,157	333,657	442,976
Prepayments and other receivables	*25*	945,051	530,838	1,533,489
Other non-current assets	*26*	26,662	19,414	9,268
Total non-current assets		**21,363,009**	**22,895,957**	**31,623,021**
Current assets				
Inventories	*27*	6,293,879	6,152,656	8,928,944
Prepayments and other receivables	*25*	438,493	578,312	939,991
Trade and notes receivables	*24*	7,716,572	7,672,495	9,792,745
Financial assets at fair value through profit or loss	*28*	128,752	63,212	136,428
Notes receivables at fair value through other comprehensive income	*16*	290,477	252,612	285,278
Restricted cash and term deposits	*29*	1,545,549	1,828,731	1,545,561
Cash and cash equivalents	*29*	5,644,487	5,343,600	6,104,723
Derivative financial assets	*22*	17,389	14,932	65,126
Other current assets	*26*	370,146	771,242	828,721
Total current assets		**22,445,744**	**22,677,792**	**28,627,517**
Total assets		**43,808,753**	**45,573,749**	**60,250,538**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

	Notes	As at December 31		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*30*	4,706,280	5,289,188	6,375,079
Lease liabilities	*20*	1,842,799	1,351,519	1,790,065
Deferred tax liabilities	*23*	199,155	262,220	634,807
Deferred income	*34*	733,457	585,934	889,843
Accruals and other payables	*32*	48,708	22,449	142,470
Provisions	*33*	60,785	58,259	263,757
Total non-current liabilities		**7,591,184**	**7,569,569**	**10,096,021**
Current liabilities				
Borrowings	*30*	7,623,119	7,138,100	10,970,771
Trade and notes payables	*31*	8,948,278	10,594,850	14,045,950
Contract liabilities	*6*	28,983	122,562	474,661
Lease liabilities	*20*	29,698	131,842	500,891
Current income tax liabilities		425,307	342,390	513,181
Accruals and other payables	*32*	931,924	772,104	1,856,840
Derivative financial liabilities	*22*	33,347	11,038	46,546
Provisions	*33*	–	–	17,813
Other current liabilities		6,556	5,191	26,025
Total current liabilities		**18,027,212**	**19,118,077**	**28,452,678**
Total liabilities		**25,618,396**	**26,687,646**	**38,548,699**
EQUITY				
Equity attributable to owner of the Company				
- Share capital	*35*	1,709,867	1,705,914	1,831,608
- Treasury shares	*36*	(125,907)	(74,992)	(175,076)
- Other reserves	*39*	7,533,971	7,907,421	9,266,211
- Retained earnings	*38*	9,025,096	9,288,044	10,538,406
		18,143,027	18,826,387	21,461,149
Non-controlling interests		47,330	59,716	240,690
TOTAL EQUITY		**18,190,357**	**18,886,103**	**21,701,839**
TOTAL LIABILITIES AND EQUITY		**43,808,753**	**45,573,749**	**60,250,538**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

COMPANY'S STATEMENTS OF FINANCIAL POSITION

		As at December 31		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*18*	1,617,330	1,013,046	924,473
Right-of-use assets	*20*	62,930	59,439	23,883
Deferred tax assets	*23*	188,815	36,375	90,067
Intangible assets		2,719	4,695	5,887
Investments in associates	*15*	84,720	90,305	90,740
Investments in subsidiaries	*17*	9,381,583	9,537,552	10,181,458
Equity investments at fair value through other comprehensive income	*16*	171,322	221,322	233,621
Financial assets at fair value through profit or loss	*28*	–	–	725,590
Prepayments and other receivables	*25*	166,933	81,247	539,616
Other non-current assets	*26*	26,662	19,414	7,711
Total non-current assets		**11,703,014**	**11,063,395**	**12,823,046**
Current assets				
Inventories	*27*	1,299,183	986,847	674,472
Prepayments and other receivables	*25*	5,556,127	6,058,678	6,331,555
Trade and notes receivables	*24*	2,084,886	3,143,493	2,968,231
Other financial assets at fair value through other comprehensive income	*16*	16,446	18,920	97,221
Restricted cash and term deposits	*29*	642,980	551,130	444,001
Cash and cash equivalents	*29*	478,844	538,870	716,293
Other current assets	*26*	11,482	22,206	27,462
Derivative financial assets	22	–	–	220
Total current assets		**10,089,948**	**11,320,144**	**11,259,455**
Total assets		**21,792,962**	**22,383,539**	**24,082,501**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

COMPANY'S STATEMENTS OF FINANCIAL POSITION (Continued)

	Notes	As at December 31		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*30*	2,405,438	2,251,617	1,356,852
Lease liabilities	*20*	2,741	861	–
Deferred income	*34*	19,403	16,473	16,538
Provisions		1,850	1,126	1,282
Total non-current liabilities		**2,429,432**	**2,270,077**	**1,374,672**
Current liabilities				
Borrowings	*30*	3,744,345	3,091,890	3,381,703
Trade and notes payables	*31*	1,775,847	1,975,513	2,508,002
Contract liabilities	*6*	11,196	18,960	24,694
Lease liabilities	*20*	2,006	1,880	614
Accruals and other payables	*32*	3,962,843	5,135,889	5,546,775
Other current liabilities		3,373	1,509	4,003
Total current liabilities		**9,499,610**	**10,225,641**	**11,465,791**
Total liabilities		**11,929,042**	**12,495,718**	**12,840,463**
EQUITY				
Share capital	*35*	1,709,867	1,705,914	1,831,608
Treasury shares	*36*	(125,907)	(74,992)	(175,076)
Other reserves	*39*	7,797,106	8,122,995	9,418,210
Retained earnings	*38*	482,854	133,904	167,296
TOTAL EQUITY		**9,863,920**	**9,887,821**	**11,242,038**
TOTAL LIABILITIES AND EQUITY		**21,792,962**	**22,383,539**	**24,082,501**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Treasury shares	Other Reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	**1,709,867**	**(125,907)**	**7,497,266**	**7,297,404**	**16,378,630**	**46,928**	**16,425,558**
Profit for the year	–	–	–	1,964,525	1,964,525	525	1,965,050
Other comprehensive loss	–	–	(21,689)	–	(21,689)	–	(21,689)
Total comprehensive income/(loss) for the year	**–**	**–**	**(21,689)**	**1,964,525**	**1,942,836**	**525**	**1,943,361**
Share-based payment							
-Share-based compensation expenses	–	–	8,874	–	8,874	8	8,882
Appropriation to statutory reserves	–	–	49,520	(49,520)	–	–	–
Dividends	–	–	–	(187,313)	(187,313)	(131)	(187,444)
Balance at December 31, 2023	**1,709,867**	**(125,907)**	**7,533,971**	**9,025,096**	**18,143,027**	**47,330**	**18,190,357**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company						
	Share capital	**Treasury shares**	**Other Reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1,2024	**1,709,867**	**(125,907)**	**7,533,971**	**9,025,096**	**18,143,027**	**47,330**	**18,190,357**
Profit/(loss) for the year	–	–	–	1,085,641	1,085,641	(581)	1,085,060
Other comprehensive income	–	–	47,561	–	47,561	–	47,561
Total comprehensive income/(loss) for the year	**–**	**–**	**47,561**	**1,085,641**	**1,133,202**	**(581)**	**1,132,621**
Share-based payment							
-Share-based compensation expenses	–	–	478	–	478	–	478
-Repurchase of shares under share schemes	–	(25,001)	–	–	(25,001)	–	(25,001)
-Deregistration of shares under share schemes	(3,953)	75,916	(71,963)	–	–	–	–
Deregistration of subsidiaries	–	–	–	–	–	12,967	12,967
Appropriation to statutory reserves	–	–	47,374	(47,374)	–	–	–
Dividends	–	–	–	(425,319)	(425,319)	–	(425,319)
Reclassification of other comprehensive income to retained earnings	–	–	350,000	(350,000)	–	–	–
Balance at December 31, 2024	**1,705,914**	**(74,992)**	**7,907,421**	**9,288,044**	**18,826,387**	**59,716**	**18,886,103**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company						
	Share capital	Treasury shares	Other Reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	**1,705,914**	**(74,992)**	**7,907,421**	**9,288,044**	**18,826,387**	**59,716**	**18,886,103**
Profit for the year	–	–	–	1,386,067	1,386,067	6,900	1,392,967
Other comprehensive income	–	–	76,271	–	76,271	–	76,271
Total comprehensive income for the year	**–**	**–**	**76,271**	**1,386,067**	**1,462,338**	**6,900**	**1,469,238**
Appropriation to statutory reserves	–	–	16,910	(16,910)	–	–	–
Capital contribution from the Company's shareholders and non-controlling interests	125,694	–	1,265,820	–	1,391,514	43	1,391,557
Repurchase of shares	–	(100,084)	–	–	(100,084)	–	(100,084)
Dividends	–	–	–	(118,795)	(118,795)	–	(118,795)
Transactions with non-controlling interests	–	–	(211)	–	(211)	(184,388)	(184,599)
Business combinations	–	–	–	–	–	358,419	358,419
Balance at December 31, 2025	**1,831,608**	**(175,076)**	**9,266,211**	**10,538,406**	**21,461,149**	**240,690**	**21,701,839**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	*41(a)*	5,077,989	4,979,671	4,968,075
Interest received		210,139	243,072	200,834
Income tax paid		(247,460)	(244,094)	(266,579)
Net cash generated from operating activities		**5,040,668**	**4,978,649**	**4,902,330**
Cash flows from investing activities				
Proceeds from disposal of subsidiaries		–	39,160	–
Proceeds from disposal of equity investments measured at FVTPL		–	26,199	40,505
Proceeds from investment income		24,025	10,297	19,292
Proceeds from disposal of property, plant and equipment and intangible assets		37,557	173,295	90,863
Withdraw of term deposits and wealth management products		1,003,172	986,214	1,330,062
Government grant received in relation to assets		131,752	7,370	404,812
Proceeds of deposits for purchase of investments		–	230,197	505,302
Proceeds from disposal of associates		–	–	22,732
Payments for purchase of investments in associates		(35,000)	–	(214)
Purchases of equity investments measured at FVTPL		(22,790)	(4,986)	(99,043)
Purchases of equity investments at fair value through other comprehensive income		(106,835)	(55,500)	(75,603)
Payments of deposits for purchase of investments		(226,169)	–	(939,122)
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(3,466,866)	(3,792,145)	(4,383,255)
Placement of term deposits and wealth management products		(1,182,221)	(1,592,985)	(575,249)
Payment for subscription of convertible bonds and loans		–	–	(836,185)
Net outflow of cash from the acquisition of subsidiaries		(863,778)	–	(3,383,277)
Payments for purchase of subsidiaries		–	(109,158)	–
Payments for settlement of derivative financial instruments		–	(4,274)	–
Net cash used in investing activities		**(4,707,153)**	**(4,086,316)**	**(7,878,380)**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Notes	Year ended December 31		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Capital contribution from the Company's shareholders and non-controlling interests		–	–	1,391,557
Proceeds from borrowings		14,094,917	10,128,622	12,749,059
Repayments of borrowings		(13,925,430)	(10,035,345)	(9,508,203)
Principal elements of lease payments		(183,002)	(644,317)	(267,230)
Interests paid		(379,553)	(364,297)	(320,185)
Dividends paid to the Company's shareholders	*13*	(187,313)	(425,319)	(118,795)
Dividends paid to non-controlling interests		(131)	–	–
Payments for repurchase of shares		–	(25,001)	(100,084)
Payments for **[REDACTED]**		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Payments for repurchase of employee share options		–	–	(184,599)
Movements of restricted cash		337,966	46,289	115,687
Net cash generated from/ (used in) financing activities		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net increase/ (decrease) in cash and cash equivalents		**90,969**	**(427,035)**	**773,345**
Cash and cash equivalents at beginning of the year		5,457,027	5,644,487	5,343,600
Effects of exchange rate changes on cash and cash equivalents		96,491	126,148	(12,222)
Cash and cash equivalents at the end of the year	*29*	**5,644,487**	**5,343,600**	**6,104,723**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Suzhou Dongshan Precision Manufacturing Co., Ltd.(蘇州東山精密製造股份有限公司) (hereinafter referred to as the "Company"), formerly known as Suzhou Dongshan Sheet Metal Co., Ltd. (蘇州市東山鈑金有限責任公司), is a joint stock company with limited liability incorporated in the People's Republic of China (the "PRC") on December 24, 2007. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 002384) on April 9, 2010. The registered office and principal place of business of the Company is located at No. 288 Shanfeng Road, Wuzhong Economic Development Zone, Suzhou City, Jiangsu Province, PRC. The ultimate controllers of the company are Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen ("the ultimate controlling shareholders").

The Company and its subsidiaries (hereinafter collectively referred to as "the Group") belong to the computer, communication and other electronic equipment manufacturing industry, and are primarily engaged in research and development, manufacturing and sales of core devices for intelligent interconnection, including electronic circuits (PCBs), LED display devices, touch panels, LCMs, precision components, optical components, optical modules and automotive components, etc.

The Company's primary subsidiaries during the Track Record Period are set out in Note 17.

The Historical Financial Information are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RMB'000) except when otherwise indicated.

The statutory consolidated financial statements of the Group for the years ended December 31, 2023, 2024 and 2025 prepared in accordance with the relevant accounting principles in the PRC were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) which was the certified public accountants registered in the PRC.

2. BASIS OF PREPARATION

The Historical Financial Information of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss ("FVTPL") and financial assets measured at other comprehensive income ("FVOCI").

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 46 to this Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION (Continued)

2.1 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined
Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'	January 1, 2026
Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
IFRS18 'Presentation and Disclosure in Financial Statements'	January 1, 2027
IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	January 1, 2027
IFRS 21 Translation to a Hyper inflationary Presentation Currency	January 1, 2027

Except for the impact of IFRS18 mentioned below, other new/amended standards are either not relevant to the Group or not expected to have a material impact on the Group's consolidated financial statements when they become effective.

IFRS18 Presentation and Disclosure in Financial Statements

IFRS18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 "Presentation of Financial Statements". This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments: Disclosures". Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS18 will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS18 is not expected to have significant impact on the Group's financial position and performance, but may affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

seeks a balance between risk and return, minimizes the adverse impact of risk on the Group's finance performance and maximizes the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Group's risk management is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range.

3.1 Market Risk

(a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Company and its subsidiaries. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures, and adopts multiple approaches including natural hedging, or financially hedge by foreign currency financial derivatives instruments, to effectively control foreign exchange risks, and make the foreign exchange exposures under the manageable level, so as to mitigate the adverse impacts of foreign exchange fluctuations on financial expenses.

As at December 31, 2023, 2024 and 2025, the Group's major financial assets/liabilities exposed to foreign exchange risk, representing those financial assets/liabilities denominated in United States dollar ("USD") and Hong Kong dollar ("HKD"), and included in a group entity with different functional currency:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets denominated in:			
USD	10,111,571	9,885,967	8,658,261
Others	44,252	92,104	88,129

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities denominated in:			
USD	3,650,144	3,308,383	3,288,154
HKD	–	–	2,664,711
Others	49,754	547,286	17,940

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market Risk (Continued)

As shown in the table above, the Group is primarily exposed to changes in USD and HKD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and HKD denominated financial instruments is as below:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
USD exchange rate -			
Increase 5%	323,071	328,879	268,505
Decrease 5%	(323,071)	(328,879)	(268,505)
HKD exchange rate -			
Increase 5%	60	34	(133,038)
Decrease 5%	(60)	(34)	133,038

Other foreign currencies of changes have no significant impact on foreign exchange risk.

(b) Interest Rate Risk

The Group's interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings issued at floating rates and fixed rates based on the market environment and maintains an appropriate combination of financial instruments through regular review and monitoring.

As at December 31, 2023, 2024 and 2025, total borrowings of the Group which were bearing at floating rates amounted to approximately RMB1,406,782,000, RMB2,392,686,000 and RMB6,237,185,000, respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximate RMB7,034,000, RMB11,963,000 and RMB31,186,000 for the years ended December 31, 2023, 2024 and 2025, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings and bank balances carried at fixed rates is not significant for the Group.

(c) Price Risk

The Group is mainly exposed to equity price risk arising from investments held by the Group that are classified either as FVTPL (Note 28) or FVOCI (Note 16). To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are mainly made for strategic purposes. Each investment is managed by the management on a case-by-case basis.

Sensitivity analysis is performed by the management to assess the exposure of the Group's financial results to equity price risk of FVTPL and FVOCI at the end of each Track Record Period. If prices of the respective instruments held by the Group had been 5%, 5% and 5% higher/lower as at December 31, 2023, 2024 and 2025, profit before tax for the year would have been approximately RMB2,098,000,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market Risk (Continued)

RMB(239,000) and RMB4,494,000 higher/lower as a result of gains/losses on financial instruments classified as at FVTPL, other comprehensive income before tax would have been approximately RMB28,432,000, RMB29,313,000 and RMB36,413,000 higher/lower as a result of fair value changes on financial instruments classified as at FVOCI.

The Group is primarily engaged in the PCB business, using copper and gold as its key metallic raw materials. It also operates a precision manufacturing segment that primarily uses aluminum as its major raw material input. Prices of these metals are highly volatile due to various external factors beyond the Group's control, including but not limited to: (i) availability of upstream mineral resources; (ii) global supply-demand imbalances; (iii) logistics disruptions and fluctuations in freight costs; (iv) force majeure events such as natural disasters; and (v) macroeconomic uncertainties.

Such price volatility directly leads to fluctuations in procurement costs, which in turn increases volatility in operating profit and adversely affects business stability. To manage these price risks, the Group undertakes economic hedges using derivative financial instruments to hedge price risks associated with its key raw materials. For hedging relationships that qualify for hedge accounting under applicable accounting standards, the Group applies hedge accounting to appropriately reflect the effect of hedging activities in reducing volatility in financial performance and to stabilize the procurement costs of essential raw materials.

Under its risk management strategy and objective, the Group designates cash flow hedge relationship when using commodity futures contracts hedging commodity price risk associated with the cash flows of highly probable forecast procurement transactions. The hedged items are the same with the underlying indexes in the commodity futures to lock in commodity price fluctuations.

3.2 Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables, other receivables and FVOCI. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(a) Risk Management

To manage this risk, cash and cash equivalents as well as restricted cash and term deposits are mainly placed with reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade and notes receivables as well as other receivables and FVOCI, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents, restricted cash and term deposits;
- Trade receivables;
- Notes Receivables at Amortized Cost and Notes Receivables at FVOCI, and
- Other receivables.

Credit risk of cash and cash equivalents and restricted cash and term deposits

Cash and cash equivalents and restricted cash and term deposits are mainly placed with high-credit rating financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss was immaterial as at December 31, 2023, 2024 and 2025.

Credit risk of trade and notes receivables

(i) Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit loss ("ECL") which uses a lifetime expected loss allowance for all trade receivables regardless of whether there exists a significant financing component.

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and aging.

The Group also made individual assessment on the recoverability of its trade receivables for certain customers based on historical settlement records.

The historical loss rates are calculated based on the historical payment profiles of customers and the corresponding historical incurred credit losses. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and other indicators of severe financial difficulties.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

Trade Receivables

On that basis, the loss allowance as at December 31, 2023, 2024 and 2025 were determined as follows for trade receivables:

As at December 31, 2023, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	221,542	99.70%	220,878	Financial difficulty

As at December 31, 2024, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	58,220	98.79%	57,514	Financial difficulty

As at December 31, 2025, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	176,594	92.65%	163,612	Financial difficulty

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

As at December 31, 2023, 2024 and 2025, the loss allowance of grouped impaired trade receivables is determined as follows:

Assessed based on grouping - Integrated business portfolio:

	Within 6 months	7 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
As at December 31, 2023						
Expected loss rate	0.50%	5.00%	20.00%	60.00%	100.00%	
Gross carrying amount (RMB'000)	7,443,314	77,177	285,233	12,245	154,635	7,972,604
Loss allowance provision (RMB'000)	37,216	3,859	57,047	7,347	154,635	260,104
As at December 31, 2024						
Expected loss rate	0.50%	5.00%	20.00%	60.00%	100.00%	
Gross carrying amount (RMB'000)	7,557,662	110,165	27,112	41,327	166,152	7,902,418
Loss allowance provision (RMB'000)	37,789	5,508	5,422	24,796	166,152	239,667
As at December 31, 2025						
Expected loss rate	0.50%	5.00%	20.00%	60.00%	100.00%	
Gross carrying amount (RMB'000)	6,944,475	29,753	18,218	2,510	175,265	7,170,221
Loss allowance provision (RMB'000)	34,721	1,488	3,644	1,506	175,265	216,624

Assessed based on grouping - Traditional automobile portfolio:

	Within 6 months	7 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
As at December 31, 2025						
Expected loss rate	0.50%	2.14%	20.00%	59.99%	100.00%	
Gross carrying amount (RMB'000)	1,441,554	242,401	9,667	4,349	2,645	1,700,616
Loss allowance provision (RMB'000)	7,207	5,179	1,933	2,609	2,645	19,573

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

Assessed based on grouping - Optical modules portfolio:

	Within 6 months	7 to 12 months	1 to 2 years	Over 2 years	Total
As at December 31, 2025					
Expected loss rate	0.42%	17.40%	42.41%	100.00%	
Gross carrying amount (RMB'000)	1,424,729	7,630	507	2,214	1,435,080
Loss allowance provision (RMB'000)	5,913	1,328	215	2,214	9,670

The management of the Group determined the ECL rates for portfolio of trade receivables with reference to past-due status of such balances by estimating their default rates taking into account the historical information and forward-looking information.

As at the end of each Track Record Period, the Group assessed the historical observed default rates and the forward-looking estimates, respectively. The management of the Group reviewed the portfolio of customers contributing the trade receivables balances for the respective past-due time band throughout the Track Record Period and noted that the majority of the balances of the respective past-due time band were due from similar portfolio of customers. Furthermore, the Group incorporated two new portfolios, namely the traditional automobile portfolio and optical modules portfolio, at the end of 2025 through business combinations. The Group assessed these customers' financial condition, past settlement history, business relationship with the Group and other factors such as current market conditions and industry information, and considered that the credit risk for the same portfolio of customers remains approximately the same throughout the Track Record Period. Accordingly, the same ECL rates were adopted for each respective past-due time band throughout Track Record Period.

The loss allowances for trade receivables reconcile to the opening loss allowances are as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance	990,803	480,982	297,181
Loss allowance recognized, net	38,586	41,233	63,858
Loss allowance written off (i)	(550,939)	(229,879)	(4,644)
Currency translation differences	2,149	4,845	(2,132)
Business combinations	383	–	55,216
Closing loss allowance	**480,982**	**297,181**	**409,479**

(i) In 2023, 2024 and 2025, the Group wrote off receivables from customers who had filed for bankruptcy or were in financial difficulties, upon obtaining board approval.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(ii) Notes Receivables at Amortized Cost and Notes Receivables at FVOCI

The Group measured provisions for impairment of notes receivables based on the lifetime ECL and assessed that there was no significant credit risk associated with its bank acceptance notes issued by large-sized banks as the Group did not expect that there would be any significant losses from non-performance by these reputable banks. For the commercial acceptance notes and bank acceptance notes issued by small and medium-sized banks, which are usually settled within 6 months to 1 year from the respective issuance date, the Group provided RMB17,000, RMB45,000 and nil as at December 31, 2023, 2024 and 2025, respectively.

Movements on the provision of ECL for notes receivables at amortized cost and notes receivables at FVOCI are as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance	243	17	45
Loss allowance recognized/(reversed), net	(226)	28	(45)
Closing loss allowance	**17**	**45**	–

(iii) Other Receivables

Other receivables at the end of each of the periods are mainly comprised of deposits, export tax refund and others. The Group considers the probability of default upon initial recognition of the assets and whether there has been significant increase in credit risk on an ongoing basis throughout Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant impact on the debtor's ability to meet its obligations;

- external credit rating of the counterparty;

- actual or expected significant adverse changes in the operating results of the debtor; and

- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making a contractual payment.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(iii) Other Receivables (Continued)

If the credit risk of the asset is in line with original expectations, the Group categorizes the asset as performing and recognizes 12 months expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognized (Stages 2 and 3):

Set out below is the information about credit risk exposure on the Group's other receivables:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023				
Expected loss rate	5.00%	10.00%	87.88%	
Gross carrying amount	71,736	8,617	10,156	90,509
Loss allowance	3,587	862	8,925	13,374
As at December 31, 2024				
Expected loss rate	5.00%	10.01%	79.29%	
Gross carrying amount	27,206	18,570	15,825	61,601
Loss allowance	1,360	1,858	12,547	15,765
As at December 31, 2025				
Expected loss rate	3.38%	8.59%	71.77%	
Gross carrying amount	143,372	25,587	128,728	297,687
Loss allowance	4,841	2,197	92,385	99,423

The loss allowances for other receivables reconcile to the opening loss allowances are as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance	14,853	13,374	15,765
Loss allowance recognized/(reversed), net	1,077	2,849	(70)
Loss allowance write-off	(2,164)	(322)	(512)
Currency translation differences	(392)	(136)	2,714
Business combinations	–	–	81,526
Closing loss allowance	**13,374**	**15,765**	**99,423**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity Risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet the Group's liquidity requirements.

The tables below analyze the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due for the corresponding period equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023						
Trade and notes payables	8,948,278	–	–	–	8,948,278	8,948,278
Accruals and other payables (excluding non-financial liabilities)	328,476	26,589	22,119	–	377,184	377,184
Lease liabilities	77,294	185,045	1,829,640	84,050	2,176,029	1,872,497
Derivative financial liabilities	33,347	–	–	–	33,347	33,347
Borrowings	7,981,676	2,441,587	2,215,845	244,371	12,883,479	12,329,399
	17,369,071	**2,653,221**	**4,067,604**	**328,421**	**24,418,317**	**23,560,705**
As at December 31, 2024						
Trade and notes payables	10,594,850	–	–	–	10,594,850	10,594,850
Accruals and other payables (excluding non-financial liabilities)	121,149	22,449	–	–	143,598	143,598
Lease liabilities	155,599	994,861	392,072	69,889	1,612,421	1,483,361
Derivative financial liabilities	11,038	–	–	–	11,038	11,038
Borrowings	7,357,404	3,556,465	1,656,829	374,356	12,945,054	12,427,288
	18,240,040	**4,573,775**	**2,048,901**	**444,245**	**25,306,961**	**24,660,135**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity Risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2025						
Trade and notes payables	14,045,950	–	–	–	14,045,950	14,045,950
Accruals and other payables (excluding non-financial liabilities)	733,452	–	–	–	733,452	733,452
Lease liabilities	591,090	632,456	913,173	371,081	2,507,800	2,290,956
Derivative financial liabilities	46,546	–	–	–	46,546	46,546
Borrowings	11,256,575	2,094,418	1,733,633	3,362,493	18,447,119	17,345,850
	26,673,613	**2,726,874**	**2,646,806**	**3,733,574**	**35,780,867**	**34,462,754**

The interest rate of borrowings and lease liabilities are disclosed in Note 30 and Note 20, respectively.

3.4 Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares, sell assets to reduce debt or raise additional funding from shareholders or banks as and when necessary. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023, 2024 and 2025.

The Group monitors capital on the basis of the debt to asset ratio as at December 31, 2023, 2024 and 2025 are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Total assets	43,808,753	45,573,749	60,250,538
Total liabilities	25,618,396	26,687,646	38,548,699
Debt to asset ratio	58.48%	58.56%	63.98%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments

This note provides information on how the Group determines the fair values of various financial assets and liabilities.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group

As at December 31, 2023

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Equity investments on unlisted entities	–	–	81,310	81,310
- Wealth management products	–	47,442	–	47,442
	–	47,442	81,310	128,752
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	278,157	278,157
- Notes receivables at FVOCI	–	–	290,477	290,477
	–	–	568,634	568,634
Derivative financial assets				
- Commodity futures contracts	8,803	–	–	8,803
- Foreign currency forwards	–	8,586	–	8,586
	8,803	8,586	–	17,389
Total financial assets	**8,803**	**56,028**	**649,944**	**714,775**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Group (Continued)

As at December 31, 2023

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial liabilities				
- Foreign currency forwards	–	33,347	–	33,347
Total financial liabilities	**–**	**33,347**	**–**	**33,347**

As at December 31, 2024

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Equity investments on unlisted entities	–	–	63,212	63,212
	–	–	63,212	63,212
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	333,657	333,657
- Notes receivables at FVOCI	–	–	252,612	252,612
	–	–	586,269	586,269
Derivative financial assets				
- Commodity futures contracts	14,644	–	–	14,644
- Foreign currency forwards	–	288	–	288
	14,644	288	–	14,932
Total financial assets	**14,644**	**288**	**649,481**	**664,413**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Group (Continued)

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial liabilities				
- Foreign currency forwards	–	11,038	–	11,038
Total financial liabilities	**–**	**11,038**	**–**	**11,038**

As at December 31, 2025

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Equity investments on unlisted entities	–	–	124,913	124,913
- Wealth management products	–	11,515	–	11,515
	–	11,515	124,913	136,428
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	442,976	442,976
- Notes receivables at FVOCI	–	–	285,278	285,278
	–	–	728,254	728,254
Derivative financial assets				
- Foreign currency forwards	–	24,229	–	24,229
- Commodity futures contracts	22,953	–	–	22,953
- Foreign currency options	–	17,944	–	17,944
	22,953	42,173	–	65,126
Total financial assets	**22,953**	**53,688**	**853,167**	**929,808**
Financial liabilities				
Derivative financial liabilities				
- Foreign currency options	–	24,159	–	24,159
- Foreign currency forwards	–	22,387	–	22,387
	–	46,546	–	46,546
Total financial liabilities	**–**	**46,546**	**–**	**46,546**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Company

As at December 31, 2023

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	171,322	171,322
- Notes receivables at FVOCI	–	–	16,446	16,446
Total financial assets	**–**	**–**	**187,768**	**187,768**

As at December 31, 2024

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	221,322	221,322
- Notes receivables at FVOCI	–	–	18,920	18,920
Total financial assets	**–**	**–**	**240,242**	**240,242**

As at December 31, 2025

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Convertible bond	–	–	725,590	725,590
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	233,621	233,621
- Notes receivables at FVOCI	–	–	97,221	97,221
Derivative financial assets				
- Foreign currency forwards	–	220	–	220
Total financial assets	**–**	**220**	**1,056,432**	**1,056,652**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Company (Continued)

(i) The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the Track Record Period, there was no transfer between Level 1 and Level 2.

(b) The Group's Valuation Process

For the financial assets and financial liabilities, including level 3 fair values, the Group's finance department performs the valuations for financial reporting purpose. The finance department reports the valuation results to the management.

(c) Transfers between levels in the hierarchy

For the years ended December 31, 2023, 2024 and 2025, there were no transfers into or out of Level 3 fair value measurements of the Group's financial instruments.

(d) The reconciliation of Level 3 assets and liabilities are analyzed below:

	Equity investments on unlisted entities at FVOCI	Equity investments on unlisted entities at FVTPL	Notes receivables at FVOCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance as at January 1, 2023	171,322	58,520	644,057	873,899
Additions	106,835	22,790	–	129,625
Disposals	–	–	(353,580)	(353,580)
Closing balance as at December 31, 2023	**278,157**	**81,310**	**290,477**	**649,944**
Additions	55,500	–	–	55,500
Disposals	–	(17,278)	(37,865)	(55,143)
Changes in fair value through profit or loss	–	(820)	–	(820)
Closing balance as at December 31, 2024	**333,657**	**63,212**	**252,612**	**649,481**
Additions	75,603	60,589	32,666	168,858
Disposals	(10,000)	–	–	(10,000)
Changes in fair value through profit or loss	–	1,112	–	1,112
Changes in fair value through other comprehensive income	43,716	–	–	43,716
Closing balance as at December 31, 2025	**442,976**	**124,913**	**285,278**	**853,167**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value

Description	Fair value As at December 31			Valuation techniques	Significant unobservable Input(s)	Ranges of inputs			Relation of unobservable input(s) to fair values
	2023	2024	2025			2023	2024	2025	
	RMB'000	*RMB'000*	*RMB'000*						
Equity investments on unlisted entities at FVTPL	81,310	63,212	124,913	Market approach	Price Sales Ratio ("P/S ratio")	N/A	2.62-2.66	N/A	An increase in P/S ratio would result in an increase in fair value, and vice versa.
					EV/ EBITDA	N/A	N/A	34.4	An increase in EV/EBITDA ratio would result in an increase in fair value, and vice versa.
					EV/S	N/A	N/A	2.15-5.18	An increase in EV/S ratio would result in an increase in fair value, and vice versa.
					Recent Transaction Price	N/A	N/A	N/A	N/A
	31,795	13,697	75,398	Net asset value	N/A	N/A	N/A	N/A	N/A

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value (Continued)

Description	Fair value As at December 31 2023	2024	2025	Valuation techniques	Significant unobservable Input(s)	Ranges of inputs 2023	2024	2025	Relation of unobservable input(s) to fair values
	RMB'000	*RMB'000*	*RMB'000*						
Equity investments on unlisted entities at FVOCI	72,157	73,657	235,240	Market approach	EV/ EBITDA	18.91-31.85	15.53-23.62	21.00-22.61	An increase in EV/ EBITDA ratio would result in an increase in fair value, and vice versa.
					P/B	N/A	5.85	1.54-7.21	An increase in P/B ratio would result in an increase in fair value, and vice versa.
					Recent Transaction Price	N/A	N/A	N/A	N/A
	206,000	260,000	207,736	Net asset value	N/A	N/A	N/A	N/A	N/A
Notes receivables at FVOCI	290,477	252,612	285,278	Discounted cash flow method	Discount rate	0.61%-2.25%	0.29%-7.30%	0.41%-2.50%	An increase in discount rate would result in decrease in fair value, and vice versa.

Other than described above, there were no significant unobservable inputs that materially affect its fair values.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value (Continued)

If the EV/EBITDA ratio had been 1% higher/lower, the fair values of the equity instruments at FVOCI held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately RMB737,000, RMB737,000 and RMB591,000 higher/lower, respectively.

If the P/B ratio had been 1% higher/lower, the fair values of the equity instruments at FVOCI held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately nil, RMB14,000 and RMB919,000 higher/lower, respectively.

If the P/S ratio had been 1% higher/lower, the fair values of the equity instruments at FVTPL held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately nil, RMB220,000 and nil higher/lower, respectively.

If the EV/EBITDA ratio had been 1% higher/lower, the fair values of the equity instruments at FVTPL held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately nil, nil and RMB202,000 higher/lower, respectively.

If the EV/S ratio had been 1% higher/lower, the fair values of the equity instruments at FVTPL held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately nil, nil and RMB185,000 higher, or nil, nil and RMB17,000 lower, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value (Continued)

If the discount rate of the Note receivable at FVOCI held by the Group had been 0.5% higher/lower, the fair values of the Note receivable at FVOCI held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately RMB519,000, RMB889,000 and RMB754,000 lower, or RMB523,000, RMB897,000 and RMB760,000 higher respectively.

4. 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.

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

(a) Allowance for Expected Credit Loss of Receivables

Except for certain trade receivables from customers with specific credit risk that management adopts an individual impairment assessment approach, the Group uses a provision matrix to calculate ECLs for trade receivables. The loss allowances for receivables are based on assumptions about risk of default and expected loss rates to determine the expected loss. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

The Group takes into account different macroeconomic scenarios in considering forward-looking information in Chinese mainland and abroad. The Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. The Group has identified the Gross Domestic Product ("GDP") of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(b) Estimated Net Realizable Value of Inventories

In accordance with the Group's accounting policy, the Group estimates net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for executed sales contracts, management estimates the net realizable amount based on the contracted price. For raw materials and work-in-progress, management has established a model in estimating the net realizable amount at which the inventories can be realizable in the normal course of business after considering the manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated Net Realizable Value of Inventories (Continued)

It is reasonably possible that if there is a significant change in circumstances including the Group's business and the external environment, outcomes would be significantly affected.

(c) Property, Plant and Equipment and Intangible Assets – Estimated Useful Lives and Residual Values

The Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

(d) Income Tax and Deferred Taxation

Estimation and judgement are required in determining the amount of the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact on the income tax and deferred taxation provisions in the period in which such determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Group's results or financial position.

(e) Impairment of Non-Financial Assets

The Group tests at least annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, intangible assets, investments in associates, investments in subsidiaries, as well as right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amounts is the higher of value-in-use ("VIU") calculations or fair value less costs of disposal ("FVLCD"). These calculations require the use of judgements and estimates.

Judgement is required to identify any impairment indicators existing for any of the Group's non-financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statements of profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Fair Value Measurement of Financial Assets and Liabilities at Level 3 Fair Value Hierarchy

The fair value of financial instruments classified as level 3 is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets and liabilities at level 3 fair value hierarchy see Note 3.5.

5. OPERATING SEGMENT INFORMATION

(a) Description of Segments and Principal Activities

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The executive directors assess the financial performance and position of the Group and make strategic decisions. The executive directors, which has been identified as being the CODM, consists of the executive director, the chief financial officer and the managers for each business unit. The CODM reviews the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segment based on these reports.

As at December 31, 2023, 2024 and 2025, the CODM have identified the following reportable segments from a product perspective:

- Electronic circuits (PCBs)
- Touch panels and LCMs
- Precision components
- Optical modules
- Others: this part of the business includes manufacturing and sales of LED display devices and the sales of materials and others.

(b) Segment Information

For the years ended December 31, 2023, 2024 and 2025, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Segment information for the year ended December 31, 2023 is as follows:

	Electronic circuits (PCBs)	Touch panels and LCMs	Precision components	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from transactions with external customer	23,260,735	4,861,904	4,160,804	1,365,688	33,649,131
Other revenue	661	–	1,413	–	2,074
Cost of sales	(18,545,445)	(4,978,442)	(3,768,131)	(1,678,980)	(28,970,998)
Gross profit	4,715,951	(116,538)	394,086	(313,292)	4,680,207
Share of profit or loss of investments in associate	–	–	–	(10,821)	(10,821)
Net impairment losses on financial assets	(3,894)	(5,011)	21,097	(51,629)	(39,437)
Impairment provision for investments in associates	–	–	–	(9,319)	(9,319)
Depreciation and amortisation	(1,051,536)	(210,349)	(207,744)	(247,433)	(1,717,062)
Impairment of goodwill	–	(29,243)	–	–	(29,243)
Profit/ (losses) before income tax	3,696,998	(300,958)	60,898	(1,265,850)	2,191,088
Income tax (expense)/ credit	(353,040)	33,701	(5,887)	99,188	(226,038)
Profit/ (losses) for the year	3,343,958	(267,257)	55,011	(1,166,662)	1,965,050

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. OPERATING SEGMENT INFORMATION (Continued)

(b) *Segment Information (Continued)*

Segment information for the year ended December 31, 2024 is as follows:

	Electronic circuits (PCBs)	Touch panels and LCMs	Precision components	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from transactions with external customer	24,800,814	6,369,881	4,539,716	1,059,316	36,769,727
Other revenue	–	44	603	–	647
Cost of sales	(20,360,454)	(6,226,831)	(4,058,060)	(1,908,351)	(32,553,696)
Gross profit	4,440,360	143,094	482,259	(849,035)	4,216,678
Share of profit or loss of investments in associate	–	–	–	(398)	(398)
Net impairment losses on financial assets	380	(17,744)	(56,913)	30,167	(44,110)
Depreciation and amortisation	(1,292,109)	(211,773)	(203,105)	(315,597)	(2,022,584)
Impairment on property, plant and equipment	–	–	(347)	(394,094)	(394,441)
Impairment of goodwill	–	(48,394)	(36,829)	–	(85,223)
Profit/ (losses) before income tax	3,420,206	(54,919)	66,006	(1,963,582)	1,467,711
Income tax (expense)/ credit	(404,739)	(5,085)	(5,997)	33,170	(382,651)
Profit/ (losses) for the year	3,015,467	(60,004)	60,009	(1,930,412)	1,085,060

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Segment information for the year ended December 31, 2025 is as follows:

	Electronic circuits (PCBs)	Touch panels and LCMs	Precision components	Optical modules	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from transactions with external customer	25,618,864	5,985,585	5,928,480	1,435,535	1,152,899	40,121,363
Other revenue	1,429	44	1,762	–	261	3,496
Cost of sales	(21,351,670)	(5,713,716)	(5,494,484)	(907,914)	(1,692,787)	(35,160,571)
Gross profit	4,268,623	271,913	435,758	527,621	(539,627)	4,964,288
Share of profit or loss of investments in associate	(214)	–	–	–	(708)	(922)
Net impairment losses on financial assets	(31)	(7,268)	(12,505)	(4,576)	(39,363)	(63,743)
Depreciation and amortisation	(1,644,434)	(261,049)	(345,093)	(40,846)	(227,963)	(2,519,385)
Impairment of goodwill	–	(38,089)	(69,156)	–	–	(107,245)
Profit/ (losses) before income tax	3,165,385	27,859	212,745	356,525	(2,072,098)	1,690,416
Income tax（expense）/ credit	(381,844)	2,051	(17,328)	(42,022)	141,694	(297,449)
Profit/ (losses) for the year	2,783,541	29,910	195,417	314,503	(1,930,404)	1,392,967

(c) Geographical Information

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets (exclude financial investments (other than equity-accounted investees), deferred tax assets)			
- Chinese mainland	17,710,572	17,514,192	18,859,214
- Overseas	2,731,615	4,532,783	10,690,597
	20,442,187	**22,046,975**	**29,549,811**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE

(a) Disaggregation of revenue

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
- Recognized at a point in time	33,649,131	36,769,727	40,121,363
Other revenue (i)	2,074	647	3,496
	33,651,205	**36,770,374**	**40,124,859**

(i) Other revenue represents lease income.

Revenues of approximately RMB18,781 million, RMB18,858 million and RMB18,643 million in the years ended December 31, 2023, 2024 and 2025, respectively are derived from a single external customer.

The major customers which contributed more than 10% of total revenue of the Group are listed as below:

	Year ended December 31		
	2023	**2024**	**2025**
Customer A	55.81%	51.28%	46.47%

(b) Geographical Information

The Company is domiciled in Chinese mainland. The amount of the Group's revenue by location is shown in the table below:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Chinese mainland	5,649,268	6,187,309	7,459,673
Overseas	28,001,937	30,583,065	32,665,186
	33,651,205	36,770,374	40,124,859

(c) Contract Liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfillment of performance obligations.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE (Continued)

(c) Contract Liabilities (Continued)

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	28,983	122,562	474,661

As at January 1, 2023, the Group's contract liabilities from customers amounted to approximately RMB26,193,000.

The following table shows how much of the revenue, which was included in the contract liabilities at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the beginning balance	26,193	28,983	80,941

Management expects that approximately RMB380,717,000 of the unsatisfied obligation as at December 31, 2025 will be recognized as revenue during the next year.

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	11,196	18,960	24,694

(d) Accounting Policies and Significant Judgements for Revenue Recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE (Continued)

(d) Accounting Policies and Significant Judgements for Revenue Recognition (Continued)

If a customer pays consideration or the Company has a right to an amount of consideration that is unconditional, before the Company transfers goods or services to the customer, the Company presents the contract liability when the payment is made. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

The Group generally offers assurance-type warranties to customers and such warranties are not considered a distinct performance obligation to customers. The Group accounts for the warranty in accordance with IAS 37 and the estimated warranty cost was not material for the Track Record Period. (Note 33).

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and regardless of whether there is significant financing component.

Products revenue

The Group is principally engaged in research and development, manufacturing and sales of core devices for intelligent interconnection, including electronic circuits (PCBs), precision components, touch panel models and LED display devices, optical components and optical modules and automotive components, etc.

Revenue from domestic sales of products (excluding the VMI model) is recognized at a point in time when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties. Upon confirming the acceptance, the customer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products.

Revenue from domestic product sales under the VMI (Vendor-Managed Inventory) model, is recognized at a point in time when the customer actually picks up and uses the goods, because it is only at this point that the customer obtains the ability to direct the use of the goods (such as the right to sell, process or otherwise dispose of the goods at its own discretion) and assumes the significant risks and rewards of ownership of the goods, including the risks of price fluctuations, obsolescence, damage or loss of the relevant goods.

Revenue from oversea sales of products, except for DDP (Delivered Duty Paid) terms, is recognized at a point in time once the products have been declared to the customs and the bill of lading has been obtained. At this point, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products. For overseas sales of products under DDP terms, the revenue is recognized at a point in time, when the Group has delivered product to the buyer's designated warehouses and the bill of lading has been obtained. At this point, the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits; and bears the significant risks and rewards incidental to ownership.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

7. OTHER INCOME

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	236,941	489,587	359,263
Additional deduction for VAT and tax refund	11,138	32,688	1,399
Others	1,803	981	2,106
	249,882	**523,256**	**362,768**

8. OTHER GAINS, NET

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net gains/(losses) on disposal and holding of financial instruments	14,979	4,232	(3,357)
Net fair value gains/(losses) on financial assets and liabilities at FVTPL	(9,741)	(17,898)	62,022
Net foreign exchange differences	129,905	294,655	(27,373)
Net losses on disposal of property, plant and equipment and other long-term assets	(26,368)	(243,093)	(379,287)
Net losses on disposal of subsidiaries and associates	–	(25,868)	(5,003)
Gains on business combination (Note 42)	134,813	–	470,698
Others	(398)	(3,549)	(41,354)
	243,190	**8,479**	**76,346**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. EXPENSE BY NATURE

Expenses included in cost of revenue, general and administrative expenses, selling and marketing expenses and research and development expenses are analyzed as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables used	22,477,270	25,157,494	26,630,718
Employee benefits expenses(Note 10)	3,952,199	4,403,215	5,262,511
Depreciation and amortization	1,717,062	2,022,584	2,519,385
Maintenance expenses	650,363	665,040	633,970
Impairment losses on inventories	397,215	454,660	580,656
Transportation costs	155,925	248,104	262,087
Mold costs	314,959	358,531	428,490
Utility costs	430,961	447,675	541,117
Impairment losses on property, plant and equipment	–	394,441	–
Auditor's services	2,264	2,264	2,264
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other expenses(i)	1,520,793	1,433,052	1,723,280
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

(i) Other expenses primarily include taxes and surcharges, short-term rental fees, business entertainment expenses, bank service fees, office administrative expenses, traveling expenses and consulting fees, etc.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION)

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	3,183,347	3,564,250	4,225,548
Share-based compensation expenses	8,882	478	–
Housing fund, medical insurance and other social insurance	271,718	295,774	391,712
Pension costs-defined contribution plans(i)	255,341	254,267	351,253
Pension costs-defined benefit plans(ii)	–	–	7,528
Other employee benefits	232,911	288,446	286,470
	3,952,199	**4,403,215**	**5,262,511**

(a) Defined contribution plans

The Group is required to make contributions for its employees in the PRC to the state-sponsored retirement plan at a certain rate based on the qualified salaries of the individual employees. The PRC government is responsible for the pension liability of the retired employees.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION) (Continued)

During the years ended December 31, 2023, 2024 and 2025, no forfeited contributions were utilized by the Group to reduce its contributions for the current year.

(b) Defined benefit pension plan

The Group's subsidiary, GMD Group, sponsors unfunded defined benefit plans for eligible employees in France in respect of retirement indemnities. The obligations are determined in accordance with the applicable French collective bargaining agreements, mainly the metallurgy and plasturgy agreements, and are settled directly by the relevant Group entities when benefits fall due.

As the plan is unfunded, there are no plan assets and therefore no related investment strategy, asset allocation or funding policy disclosures.

The retirement indemnity obligation of GMD Group recognised at the balance sheet date is determined using the projected unit credit method in accordance with IAS 19 and has been actuarially valued by an independent external actuary.

The net liability disclosed above is as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Present value of obligation	—	—	130,857
Less: Fair value of plan assets	—	—	—
Defined benefit liabilities	—	—	**130,857**

The net liability disclosed by subsidiaries is as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
GMD Group (i)	—	—	**130,857**

The actuarial assumptions used to determine the present value of defined benefit obligation are as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Discount rate (%)	—	—	3.60%
Turnover rate (%)	—	—	0.00% to 13.80%
Salary growth rates (%)	—	—	2.00%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION) (Continued)

(i) GMD Group

Movements in the present value of the defined benefit obligations during the Track Record Period were as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	—	—	–
Business combination	—	—	121,472
Current service cost	—	—	1,130
Losses on curtailment and settlement	—	—	6,398
Interest expense	—	—	682
Remeasurement losses	—	—	2,085
Foreign currency translation differences	—	—	145
Payments made	—	—	(1,055)
At the end of the year	—	—	**130,857**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase in assumption	Increase/(decrease) impact on defined benefit obligation		
		As at December 31		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Discount rate	0.50%	–	–	(516)
Turnover rate	0.50%	–	–	(541)
Salary growth rates	0.50%	–	–	554

	Decrease in assumption	Increase/(decrease) impact on defined benefit obligation		
		As at December 31		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Discount rate	0.50%	–	–	548
Turnover rate	0.50%	–	–	461
Salary growth rates	0.50%	–	–	(527)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION) (Continued)

(c) Directors' and Supervisors' Remuneration

	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Total remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023					
Executive directors:					
Mr. Yuan Yongfeng	–	3,081	47	56	3,184
Mr. Shan Jianbin	–	3,671	47	56	3,774
Mr. Wang Xu	–	1,917	47	56	2,020
Ms. Mao Xiaoyan	–	1,274	47	56	1,377
Non-executive directors:					
Mr. Yuan Yonggang	–	3,070	47	56	3,173
Mr. Zhao Xiutian	–	4,329	70	13	4,412
Independent non-executive directors:					
Mr. Wang Zhangzhong	120	–	–	–	120
Mr. Song Liguo	120	–	–	–	120
Mr. Gao Yongru	120	–	–	–	120
Supervisors:					
Mr. Ma Liqiang	–	2,243	47	56	2,346
Mr. Ji Yachun	–	1,151	47	56	1,254
Mr. Huang Yongxin	–	1,532	47	56	1,635
Total	**360**	**22,268**	**446**	**461**	**23,535**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION) (Continued)

(c) Directors' and Supervisors' Remuneration (Continued)

	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Total remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2024					
Executive directors:					
Mr. Yuan Yongfeng	–	3,081	47	56	3,184
Mr. Shan Jianbin	–	3,671	47	56	3,774
Mr. Wang Xu	–	1,917	47	56	2,020
Ms. Mao Xiaoyan	–	1,274	47	56	1,377
Non-executive directors:					
Mr. Yuan Yonggang	–	3,070	47	56	3,173
Mr. Zhao Xiutian	–	4,329	70	13	4,412
Independent non-executive directors:					
Mr. Wang Zhangzhong	120	–	–	–	120
Mr. Song Liguo	120	–	–	–	120
Mr. Gao Yongru	120	–	–	–	120
Supervisors:					
Mr. Ma Liqiang	–	2,243	47	56	2,346
Mr. Ji Yachun	–	1,151	47	56	1,254
Mr. Huang Yongxin	–	1,532	47	56	1,635
Total	**360**	**22,268**	**446**	**461**	**23,535**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION) (Continued)

(c) Directors' and Supervisors' Remuneration (Continued)

	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Total remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2025					
Executive directors:					
Mr. Yuan Yongfeng	–	3,317	49	77	3,443
Mr. Shan Jianbin	–	4,001	49	77	4,127
Mr. Wang Xu	–	1,963	49	77	2,089
Ms. Mao Xiaoyan	–	1,503	49	77	1,629
Mr. Ma Liqiang (i)	–	405	8	13	426
Non-executive directors:					
Mr. Yuan Yonggang	–	3,317	49	77	3,443
Mr. Zhao Xiutian	–	4,351	73	13	4,437
Independent non-executive directors:					
Mr. Wang Zhangzhong	120	–	–	–	120
Mr. Song Liguo	120	–	–	–	120
Mr. Gao Yongru	120	–	–	–	120
Mr. Xu Weidong (i)	20	–	–	–	20
Supervisors:					
Mr. Ma Liqiang	–	2,077	41	64	2,182
Mr. Ji Yachun	–	981	41	64	1,086
Mr. Huang Yongxin	–	1,170	41	64	1,275
Total	**380**	**23,085**	**449**	**603**	**24,517**

(i) Mr. Ma Liqiang was appointed as an executive director of the Company with effect from November 3, 2025. Mr. Xu Weidong was appointed as an independent non-executive director of the Company with effect from November 3, 2025.

(d) Directors' and Supervisors' Other Benefits

No termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director's services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 44, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION) (Continued)

(e) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group were all Directors or Supervisors for the years ended December 31, 2023, 2024 and 2025.

11. FINANCE COSTS, NET

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income from financial assets held for cash management purposes	225,594	243,072	200,834
Finance costs:			
Interest expenses on lease liabilities	(93,255)	(69,674)	(111,289)
Interest expenses on borrowings	(370,434)	(392,560)	(336,332)
Net exchange (losses)/gains on foreign currency borrowings	(36,506)	(7,676)	19,251
Less: capitalised finance costs	–	24,008	4,145
Finance costs total	(500,195)	(445,902)	(424,225)
Finance costs, net	**(274,601)**	**(202,830)**	**(223,391)**

12. INCOME TAX EXPENSE

The income tax expense of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax on profits for the year	467,197	201,639	365,773
Deferred income tax	(241,159)	181,012	(68,324)
	226,038	**382,651**	**297,449**

The Group is subject to income tax on an entity basis on profits arising in or derived from the different jurisdictions in which members of the Group are domiciled and operate.

(a) PRC Corporate Income Tax

In accordance with the relevant regulations of the Enterprise Income Tax laws (the "EIT Law") of the PRC, the applicable statutory tax rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12. INCOME TAX EXPENSE (Continued)

(a) PRC Corporate Income Tax (Continued)

During the Track Record Period, certain subsidiaries of the Group have obtained High and New Technology Enterprises certification ("HNTE") and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years.

(b) Hong Kong Profits Tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2023, 2024 and 2025.

(c) Singapore Profits Tax

Singapore profits tax has been provided for at the rate of 17.0% on the estimated assessable profits for the years ended December 31, 2023, 2024 and 2025.

One certain subsidiary in Singapore is eligible for a concessionary corporate income tax rate from January 1, 2020 to December 31, 2024.

(d) France Profits Tax

France profits tax has been provided for at the rate of 25.825% on the estimated assessable profits for the two months during the November 1, 2025 to December 31, 2025.

(e) Corporate Income Tax in Other Jurisdictions

The income tax rates of the subsidiaries from other jurisdictions, including the United States, Sweden, Malaysia, Hungary, Mexico, Mauritius, Portugal, Thailand and other countries or regions, had been calculated on the estimated assessable profit for the Track Record Period at the respective rates prevailing in the relevant jurisdictions.

(f) OECD Pillar Two Model Rules

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules" were issued on May 23, 2023 which are effective upon issuance and require retrospective application. The amendments provide a temporary exception from deferred tax accounting for the income tax arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development ("OECD").

The Group is within the scope of global minimum tax ("GMT") under the OECD Pillar Two model rules ("Pillar Two"). Subject to tax legislation enacting Pillar Two being passed in the jurisdictions where the Company and its subsidiaries operate, the Group is liable to pay a top-up tax for any deficiency between the minimum tax rate of 15% and the effective tax rate per respective jurisdiction. The Group applies the IAS 12 exception to recognition and disclosure information about deferred tax assets and liabilities relating to Pillar Two income taxes.

For those jurisdictions where the Pillar Two legislation was enacted but not effective at the reporting date, the Group has no related current tax exposure. However, certain subsidiaries of the Company are located in jurisdictions where Pillar Two legislation was effective, and the Group's assessment indicates that there is no material related current tax exposure in these jurisdictions during Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12. INCOME TAX EXPENSE (Continued)

(f) OECD Pillar Two Model Rules (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to profits of the subsidiaries as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	**2,191,088**	**1,467,711**	**1,690,416**
Calculated at the PRC taxation rate of the Company (25%)	547,772	366,928	422,604
Effect of different tax rates applicable to subsidiaries (i)	(257,701)	(121,345)	(201,637)
Non-deductible expenses for tax purposes	24,797	32,276	27,529
Unused tax losses and temporary differences not recognized as deferred tax assets (ii)	59,986	172,246	246,742
Super deduction for research and development expenses (iii)	(68,610)	(46,624)	(78,468)
Income not subject to tax	(9,544)	(11,968)	(119,594)
Previously unrecognized tax losses and used to reduce deferred tax expense	(69,456)	(11,189)	(7,691)
Adjustments for current tax of prior periods	(1,206)	2,327	7,964
	226,038	**382,651**	**297,449**

(i) Reconciling differences are attributable to variations between the statutory tax rates applicable to certain subsidiaries and the parent company's 25% rate.

(ii) Deferred income tax assets relating to these unused tax losses are not recognized as the management considers it is uncertain to utilize these unrecognized tax credits prior to their expiry dates mainly based on considerations of future profitability.

(iii) According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses for Track Record Period, so incurred as tax deductible expenses when determining their assessable profits for that year ("Super-deduction"). The Group has made its best estimation for the Super-deduction to be claimed for the Group's entities in ascertaining their assessable profits for the years ended December 31, 2023, 2024 and 2025.

13. DIVIDENDS

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Final cash dividends in respect of the previous year, declared and paid during the year (i)(ii)	**187,313**	**425,319**	**118,795**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13. DIVIDENDS (Continued)

(i) The final dividends of RMB2.50 and RMB0.70 per 10 shares (tax inclusive) in respect of the years ended December 31, 2023 and 2024 were approved by the Annual General Meeting of the Company.

(ii) No dividends were declared for the year ended December 31, 2025.

14. EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of basic earnings per share (EPS) is based on the following:

	Year ended December 31		
	2023	**2024**	**2025**
Profit attributable to ordinary shareholders of the Company (RMB'000)	1,964,525	1,085,641	1,386,067
Weighted average number of ordinary shares in issue (thousands)	1,702,011	1,701,237	1,761,672
Basic EPS (RMB per share)	**1.15**	**0.64**	**0.79**

(b) Diluted Earnings Per Share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculation of diluted earnings per share is based on the following:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB'000)	1,964,525	1,085,641	1,386,067
Weighted average number of ordinary shares in issue (thousands)	1,702,011	1,701,237	1,761,672
Adjustments for potential shares arising from share schemes (thousands)	765	142	–
Weighted average number of ordinary shares used in calculating diluted EPS (thousands)	1,702,776	1,701,379	1,761,672
Diluted EPS (RMB per share)	**1.15**	**0.64**	**0.79**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. INVESTMENTS IN ASSOCIATES

The amounts of investments in associates recognized in the Historical Financial Information are as follows:

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Associates	**155,407**	**155,009**	**126,566**

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	139,767	155,407	155,009
Additions	35,000	–	214
Disposals	–	–	(27,735)
Share of results of associates	(10,821)	(398)	(922)
Currency translation differences	780	–	–
Less: provision for impairment	(9,319)	–	–
At the end of the year	**155,407**	**155,009**	**126,566**

The associates of the Group have been accounted based on the financial information prepared under the accounting policies consistent with the Group.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The carrying amount and the Group's share of the results of individually immaterial associates are shown in aggregate as below, respectively.

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

The associates

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	155,407	155,009	126,566
Aggregate amounts of the Group's share of:			
Loss for the year	**(10,821)**	**(398)**	**(922)**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. INVESTMENTS IN ASSOCIATES (Continued)

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Associates	**84,720**	**90,305**	**90,740**

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	79,191	84,720	90,305
Additions	15,000	–	–
Share of results of associates	(9,471)	5,585	435
At the end of the year	**84,720**	**90,305**	**90,740**

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

The associates

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	84,720	90,305	90,740
Aggregate amounts of the Group's share of:			
Profit/(Loss) for the year	**(9,471)**	**5,585**	**435**

16. FINANCIAL INSTRUMENTS MEASURED AT FVOCI

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Asset			
Non-current:			
- Equity investments on unlisted entities (i)	278,157	333,657	442,976
Current:			
- Notes receivables at FVOCI (ii)	290,477	252,612	285,278

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16. FINANCIAL INSTRUMENTS MEASURED AT FVOCI (Continued)

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Asset			
Non-current:			
- Equity investments on unlisted entities (i)	**171,322**	**221,322**	233,621
Current:			
- Notes receivables at FVOCI (ii)	16,446	18,920	97,221

(i) **Equity investments on unlisted entities**

The above equity instruments were irrecoverably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Haidixin Semiconductor (Nantong) Co., Ltd. (海迪芯半導體 (南通) 有限公司)	21,322	21,322	25,884
Jiangsu Bohua Equity Investment Partnership Enterprise (Limited Partnership) (江蘇博華股權投資合夥企業（有限合夥）)	150,000	200,000	207,736
Kunshan Hostar Intelligence Technology Co., Ltd. (昆山鴻仕達智慧科技股份有限公司)	28,800	28,800	34,885
Dyness Digital Energy Technology Co., Ltd. (大秦數位能源技術股份有限公司)	50,000	50,000	73,899
Shinwu Optronics (Suzhou) Co., Ltd. (蘇州新吳光電股份有限公司)	22,035	22,035	21,771
Jinan Yingpu Technology Co., Ltd. (濟南影譜科技有限公司)	6,000	10,000	–
Shenzhen Ruoyu Technology Co., Ltd. (深圳若愚科技有限公司)	–	1,500	3,198
Shanghai Infinigence Al Intelligent Technology Co.,Ltd. (上海無問芯穹智能科技股份有限公司)	–	–	50,000
NEURON VENTURE OPPORTUNITY FUND II LP	–	–	24,601
China Renewable Power Infrastructure Fund GP Limited	–	–	1,002
	278,157	**333,657**	**442,976**

No material strategic investments were disposed of during 2025, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16. FINANCIAL INSTRUMENTS MEASURED AT FVOCI (Continued)

The Group (Continued)

(ii) **Notes receivables at FVOCI**

These notes receivables are classified and measured at FVOCI, as they are held under a business model whose objective is to both collect contractual cash flows and sell the financial assets. In the ordinary course of the Group's treasury management, the Group discounts and endorses certain of these notes receivables, and such transactions satisfy the derecognition criteria. Details of notes receivables that have been endorsed or discounted but not yet matured as at the balance sheet date are set out below:

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Amount transferred to suppliers	303,434	745,868	744,978
Amount transferred to banks	391,344	274,770	311,265
	694,778	**1,020,638**	**1,056,243**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. SUBSIDIARIES

During the Track Record Period, the Company's primary subsidiaries are as follows:

	Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/ paid-up capital	Equity interest held by the Company As at December 31 2023		2024		2025		Principal activities
			'000	Direct	Indirect	Direct	Indirect	Direct	Indirect	
1	MFLEX Yancheng Co., Ltd. (鹽城維信電子有限公司)	PRC, limited liability company	USD 254,990	–	100%	–	100%	–	100%	Production of FPCs
2	MFLEX Suzhou Co., Ltd. (蘇州維信電子有限公司)	PRC, limited liability company	USD 268,800	–	100%	–	100%	–	100%	Production of FPCs
3	DSBJ PTE. LTD.	SG, limited liability company	USD 63,511	–	100%	–	100%	–	100%	Overseas operation
4	Yancheng Dongshan Precision Manufacturing Co., Ltd. (鹽城東山精密製造有限公司)	PRC, limited liability company	RMB 1,150,000	95%	5%	95%	5%	95%	5%	Production of LED packaging and testing
5	Mutto Optronics Technology Co., Ltd. (牧東光電科技有限公司)	PRC, limited liability company	RMB 470,000	–	100%	–	100%	–	100%	Research and development of touch panel technologies and production of related components
6	Multi-Fineline Electronix Singapore Pte. Ltd.	SG, limited liability company	USD 46,357	–	100%	–	100%	–	100%	Overseas marketing and sales
7	Multi-Fineline Electronics (Thailand) Co., Ltd.	THA, limited liability company	THB 3,500,000	–	100%	–	100%	–	100%	Overseas production of PCBs
8	Suzhou Dongshan Display Inc. (晶端顯示精密電子（蘇州）有限公司)	PRC, limited liability company	RMB 1,043,693	100%	–	100%	–	100%	–	Production of liquid crystal displays
9	Yancheng Dongchuang Precision Manufacturing Co., Ltd. (鹽城東創精密製造有限公司)	PRC, limited liability company	RMB 500,000	90%	10%	90%	10%	90%	10%	Production of automotive precision components
10	Suzhou Dongyue New Energy Technology Co., Ltd. (蘇州東越新能源科技有限公司)	PRC, limited liability company	RMB 600,000	100%	–	100%	–	100%	–	Research and production of automotive precision components
11	Multek China Limited (德麗科技（珠海）有限公司)	PRC, limited liability company	USD 63,800	–	100%	–	100%	–	100%	Production of PCBs
12	Multek Group (Hong Kong) Limited (超毅集團（香港）有限公司)	PRC, limited liability company	USD 0.1	–	100%	–	100%	–	100%	Investment holding
13	Multek Industries Limited(珠海門門超毅實業有限公司)	PRC, limited liability company	USD 144,989	–	100%	–	100%	–	100%	Manufacture of electronic components
14	Source Photonics (Chengdu) Co., Ltd.(索爾思光電（成都）有限公司)	PRC, limited liability company	USD 104,675	–	–	–	–	–	97.5%	R&D, production, and sales of optical modules
15	Source Photonics (Macau Commercial Offshore) Limited索爾思光電（澳門離岸商業服務）一人有限公司	PRC, limited liability company	MOP 100,000	–	–	–	–	–	97.5%	Overseas sales of optical modules

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. SUBSIDIARIES (Continued)

The statutory auditors of the above subsidiaries of the Group during the Track Record Period are set out below:

	Name of subsidiary	Name of statutory auditors 2023	2024	2025
1	MFLEX Yancheng Co., Ltd.(鹽城維信電子有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
2	MFLEX Suzhou Co., Ltd.(蘇州維信電子有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
3	DSBJ PTE. LTD.	Price Waterhouse Coopers LLP Singapore	Price Waterhouse Coopers LLP Singapore	Assentsure Public Accounting Corporation
4	Yancheng Dongshan Precision Manufacturing Co., Ltd.(鹽城東山精密製造有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
5	Mutto Optronics Technology Co., Ltd.(牧東光電科技有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
6	Multi-Fineline Electronix Singapore Pte. Ltd.	Price Waterhouse Coopers LLP Singapore	Price Waterhouse Coopers LLP Singapore	Price Waterhouse Coopers LLP Singapore
7	Multi-Fineline Electronics (Thailand) Co., Ltd.	Deloitte Touche Tohmatsu Jaiyos Co., Ltd.	Deloitte Touche Tohmatsu Jaiyos Co., Ltd.	Deloitte Touche Tohmatsu Jaiyos Co., Ltd.
8	Suzhou Dongshan Display Inc.(晶端顯示精密電子（蘇州）有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
9	Yancheng Dongchuang Precision Manufacturing Co., Ltd.(鹽城東創精密製造有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
10	Suzhou Dongyue New Energy Technology Co., Ltd.(蘇州東越新能源科技有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
11	Multek China Limited(德麗科技（珠海）有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
12	Multek Group (Hong Kong) Limited(超毅集團（香港）有限公司)	RUSSELL BEDFORD JAMES NGAI CPA LIMITED	RUSSELL BEDFORD JAMES NGAI CPA LIMITED	RUSSELL BEDFORD JAMES NGAI CPA LIMITED
13	Multek Industries Limited(珠海門門超毅實業有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
14	Source Photonics (Chengdu) Co., Ltd.(索爾思光電（成都）有限公司)	Grant Thornton (Special General Partnership)	Grant Thornton (Special General Partnership)	Pan-China Certified Public Accountants LLP
15	Source Photonics (Macau) Commercial Offshore Limited 索爾思光電（澳門離岸商業服務）一人有限公司(i)	—	—	Keng Ou Certified Public Accountants

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. SUBSIDIARIES (Continued)

(i) The entity has not appointed an auditor to issue statutory financial statements for the years ended December 31, 2023, 2024 and 2025, as it is not required to do so under the statutory requirements of its place of incorporation since incorporation.

The Company

Investments in subsidiaries

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Investments in subsidiaries	**9,381,583**	**9,537,552**	**10,181,458**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Freehold land	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023								
Cost	3,553,904	17,071,962	85,462	710,439	–	1,813,184	916,093	24,151,044
Accumulated depreciation	(1,363,251)	(8,841,978)	(59,379)	(467,939)	–	–	(424,259)	(11,156,806)
Impairment	–	(14,963)	–	(558)	–	–	–	(15,521)
Carrying amounts	**2,190,653**	**8,215,021**	**26,083**	**241,942**	**–**	**1,813,184**	**491,834**	**12,978,717**
Opening carrying amounts	2,190,653	8,215,021	26,083	241,942	–	1,813,184	491,834	12,978,717
Additions	15,127	67,949	535	13,434	193,543	3,856,921	80,780	4,228,289
Transfers from construction in progress	782,891	2,455,966	6,490	51,814	–	(3,801,470)	504,309	–
Transfers to intangible assets	–	–	–	–	–	(35,555)	–	(35,555)
Additions from business combination	105,377	243,161	100	75,461	–	9,445	34,407	467,951
Foreign currency translation differences	9	–	–	32	–	–	–	41
Transfers from right-of-use assets	–	9,256	–	–	–	–	–	9,256
Disposals	(1,150)	(249,840)	(178)	(6,628)	–	–	–	(257,796)
Depreciation charges	(185,600)	(1,559,317)	(5,628)	(77,709)	–	–	(253,148)	(2,081,402)
Closing carrying amounts	**2,907,307**	**9,182,196**	**27,402**	**298,346**	**193,543**	**1,842,525**	**858,182**	**15,309,501**
At December 31, 2023								
Cost	5,132,153	19,797,162	89,625	1,015,562	193,543	1,842,525	1,535,589	29,606,159
Accumulated depreciation	(2,220,276)	(10,602,888)	(62,223)	(716,522)	–	–	(677,407)	(14,279,316)
Accumulated impairment	(4,570)	(12,078)	–	(694)	–	–	–	(17,342)
Carrying amounts	**2,907,307**	**9,182,196**	**27,402**	**298,346**	**193,543**	**1,842,525**	**858,182**	**15,309,501**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Freehold land	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024								
Cost	5,132,153	19,797,162	89,625	1,015,562	193,543	1,842,525	1,535,589	29,606,159
Accumulated depreciation	(2,220,276)	(10,602,888)	(62,223)	(716,522)	–	–	(677,407)	(14,279,316)
Impairment	(4,570)	(12,078)	–	(694)	–	–	–	(17,342)
Carrying amounts	**2,907,307**	**9,182,196**	**27,402**	**298,346**	**193,543**	**1,842,525**	**858,182**	**15,309,501**
Opening carrying amounts	2,907,307	9,182,196	27,402	298,346	193,543	1,842,525	858,182	15,309,501
Additions	–	278,060	6,022	442	5,417	4,712,341	293,564	5,295,846
Transfers from construction in progress	985,110	2,868,192	13,139	74,918	–	(3,975,849)	34,490	–
Transfers to intangible assets	–	–	–	–	–	(3,863)	–	(3,863)
Foreign currency translation differences	(2,412)	3,453	5	23	7,663	–	–	8,732
Disposals	(101,348)	(350,708)	(1,478)	(74,694)	–	–	(29,405)	(557,633)
Depreciation charges	(228,400)	(1,833,541)	(7,269)	(55,133)	–	–	(260,928)	(2,385,271)
Impairment	–	(394,267)	–	(174)	–	–	–	(394,441)
Closing carrying amounts	**3,560,257**	**9,753,385**	**37,821**	**243,728**	**206,623**	**2,575,154**	**895,903**	**17,272,871**
At December 31, 2024								
Cost	5,971,211	21,623,752	99,151	998,294	206,623	2,575,154	1,822,220	33,296,405
Accumulated depreciation	(2,406,384)	(11,467,373)	(61,330)	(753,699)	–	–	(926,317)	(15,615,103)
Accumulated impairment	(4,570)	(402,994)	–	(867)	–	–	–	(408,431)
Carrying amounts	**3,560,257**	**9,753,385**	**37,821**	**243,728**	**206,623**	**2,575,154**	**895,903**	**17,272,871**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Freehold land	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025								
Cost	5,971,211	21,623,752	99,151	998,294	206,623	2,575,154	1,822,220	33,296,405
Accumulated depreciation	(2,406,384)	(11,467,373)	(61,330)	(753,699)	–	–	(926,317)	(15,615,103)
Impairment	(4,570)	(402,994)	–	(867)	–	–	–	(408,431)
Carrying amounts	**3,560,257**	**9,753,385**	**37,821**	**243,728**	**206,623**	**2,575,154**	**895,903**	**17,272,871**
Opening carrying amounts	3,560,257	9,753,385	37,821	243,728	206,623	2,575,154	895,903	17,272,871
Additions	1,691	185,657	1,529	12,248	–	4,226,456	80,915	4,508,496
Transfers from construction in progress	1,280,738	3,105,260	5,593	95,852	–	(4,718,381)	230,938	–
Additions from business combination	247,299	957,165	1,652	78,684	32,922	263,923	48,671	1,630,316
Foreign currency translation differences	3,048	(12,658)	(271)	(612)	3,919	(1,167)	(464)	(8,205)
Disposals	(5,138)	(433,909)	(10,391)	(20,539)	–	–	(45,827)	(515,804)
Depreciation charges	(277,349)	(2,132,166)	(10,053)	(81,760)	–	–	(226,141)	(2,727,469)
Closing carrying amounts	**4,810,546**	**11,422,734**	**25,880**	**327,601**	**243,464**	**2,345,985**	**983,995**	**20,160,205**
At December 31, 2025								
Cost	7,361,328	24,139,026	84,326	1,024,272	243,464	2,345,985	1,867,698	37,066,099
Accumulated depreciation	(2,546,387)	(12,410,441)	(58,446)	(695,804)	–	–	(883,703)	(16,594,781)
Accumulated impairment	(4,395)	(305,851)	–	(867)	–	–	–	(311,113)
Carrying amounts	**4,810,546**	**11,422,734**	**25,880**	**327,601**	**243,464**	**2,345,985**	**983,995**	**20,160,205**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease term as follows:

Buildings	15-30years
Machinery equipment	5-20years
Other equipment	3-12years
Motor vehicles	5-10years
Leasehold improvement	Shorter of their useful lives and lease terms

See Note 46 for the other accounting policies relevant to property, plant and equipment.

(b) Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cost of revenue	1,388,309	1,658,755	2,083,015
Inventories	504,522	507,965	411,548
General and administrative expenses	112,211	130,557	122,856
Research and development expenses	74,024	86,095	107,478
Selling and marketing expenses	2,336	1,899	2,572
	2,081,402	**2,385,271**	**2,727,469**

The Group has pledged machinery equipment with carrying amount of approximately RMB 418,051,000, nil and RMB151,552,000 as at December 31, 2023, 2024 and 2025 respectively to secure bank borrowings granted to the Group.

As at December 31, 2023, 2024 and 2025, the Group had RMB62,076,000, RMB31,717,000 and RMB25,944,000 plants for which ownership certificate applications were pending, respectively.

(c) Impairment losses has been recognized as follows:

For the year ended December 31, 2024, the Group recognised an impairment provision for property, plant and equipment amounting to RMB394 million, primarily due to the impairment of the subsidiary Yancheng Dongshan Precision Manufacturing Co., Ltd.

There was an impairment indicator for property, plant and equipment owned by Yancheng Dongshan Precision Manufacturing Co., Ltd. as the operating losses, low market prices and negative profit margins during 2024. The Group engaged an independent valuer to perform an impairment assessment on the related assets as at December 31, 2024.

The valuer has performed an assessment of the cash-generating unit ("CGU"). The carrying amount of the CGU is compared against the recoverable amount, which is the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCOD"). Based on the assessment, recoverable amounts is determined as the FVLCOD.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Impairment losses has been recognized as follows (Continued):

The recoverable amount is determined by net value of fair value less costs of disposal:

Item	Carrying amounts	Recoverable amounts	Impairment amounts	Determination of fair value and costs of disposal	Key parameters	Determination basis of key parameters
	RMB'000	*RMB'000*	*RMB'000*			
Machinery equipment	1,285,313	902,084	383,229	The fair value is determined using the market approach. Disposal costs mainly include direct costs incurred in the asset disposal.	Evaluation unit price	Refer to recent trading prices or average quotes of assets in the market that are similar to the appraised assets and make adjustment and amendment for differences.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023							
Cost	622,010	1,506,021	47,146	117,489	482,015	204,176	2,978,857
Accumulated depreciation	(296,121)	(626,309)	(40,744)	(104,768)	–	(47,709)	(1,115,651)
Carrying amounts	**325,889**	**879,712**	**6,402**	**12,721**	**482,015**	**156,467**	**1,863,206**
Opening carrying amounts	325,889	879,712	6,402	12,721	482,015	156,467	1,863,206
Additions	–	–	–	–	170,944	–	170,944
Transfers from construction in progress	15,454	356,593	3,792	4,786	(413,233)	32,608	–
Transfers to intangible assets	–	–	–	–	(2,401)	–	(2,401)
Disposals	–	(112,188)	(112)	(353)	–	(40,041)	(152,694)
Depreciation charges	(20,738)	(172,718)	(2,007)	(4,612)	–	(61,650)	(261,725)
Closing carrying amounts	**320,605**	**951,399**	**8,075**	**12,542**	**237,325**	**87,384**	**1,617,330**
At December 31, 2023							
Cost	637,464	1,737,557	48,722	121,872	237,325	196,743	2,979,683
Accumulated depreciation	(316,859)	(786,158)	(40,647)	(109,330)	–	(109,359)	(1,362,353)
Carrying amounts	**320,605**	**951,399**	**8,075**	**12,542**	**237,325**	**87,384**	**1,617,330**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company (Continued)

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024							
Cost	637,464	1,737,557	48,722	121,872	237,325	196,743	2,979,683
Accumulated depreciation	(316,859)	(786,158)	(40,647)	(109,330)	–	(109,359)	(1,362,353)
Carrying amounts	**320,605**	**951,399**	**8,075**	**12,542**	**237,325**	**87,384**	**1,617,330**
Opening carrying amounts	320,605	951,399	8,075	12,542	237,325	87,384	1,617,330
Additions	–	–	–	–	230,326	374	230,700
Transfers from construction in progress	–	252,377	4,556	11,232	(314,005)	45,840	–
Disposals	(20)	(634,167)	(2,045)	(5,254)	–	–	(641,486)
Others	–	58	–	514	(5,153)	–	(4,581)
Depreciation charges	(18,889)	(121,579)	(2,163)	(2,018)	–	(44,268)	(188,917)
Closing carrying amounts	**301,696**	**448,088**	**8,423**	**17,016**	**148,493**	**89,330**	**1,013,046**
At December 31, 2024							
Cost	637,312	894,436	44,691	70,596	148,493	242,957	2,038,485
Accumulated depreciation	(335,616)	(446,348)	(36,268)	(53,580)	–	(153,627)	(1,025,439)
Carrying amounts	**301,696**	**448,088**	**8,423**	**17,016**	**148,493**	**89,330**	**1,013,046**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company (Continued)

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025							
Cost	637,312	894,436	44,691	70,596	148,493	242,957	2,038,485
Accumulated depreciation	(335,616)	(446,348)	(36,268)	(53,580)	–	(153,627)	(1,025,439)
Carrying amounts	**301,696**	**448,088**	**8,423**	**17,016**	**148,493**	**89,330**	**1,013,046**
Opening carrying amounts	301,696	448,088	8,423	17,016	148,493	89,330	1,013,046
Additions	–	30,809	1,133	5	160,079	–	192,026
Transfers from construction in progress	12,428	112,062	1,525	11,043	(192,372)	55,314	–
Disposals	(5,798)	(78,477)	(280)	(2,281)	–	(46,488)	(133,324)
Depreciation charges	(19,557)	(85,909)	(2,213)	(3,631)	–	(35,965)	(147,275)
Closing carrying amounts	**288,769**	**426,573**	**8,588**	**22,152**	**116,200**	**62,191**	**924,473**
At December 31, 2025							
Cost	540,601	592,570	41,750	46,746	116,200	196,881	1,534,748
Accumulated depreciation	(251,832)	(165,997)	(33,162)	(24,594)	–	(134,690)	(610,275)
Carrying amounts	**288,769**	**426,573**	**8,588**	**22,152**	**116,200**	**62,191**	**924,473**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

19. INVESTMENT PROPERTIES

(a) Investment property

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023			
Cost	5,309	–	5,309
Accumulated depreciation	(4,013)	–	(4,013)
Carrying amounts	**1,296**	**–**	**1,296**
Opening carrying amounts	1,296	–	1,296
Depreciation charges	(257)	–	(257)
Closing carrying amounts	**1,039**	**–**	**1,039**
At December 31, 2023			
Cost	5,309	–	5,309
Accumulated depreciation	(4,270)	–	(4,270)
Carrying amounts	**1,039**	**–**	**1,039**

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2024			
Cost	5,309	–	5,309
Accumulated depreciation	(4,270)	–	(4,270)
Carrying amounts	**1,039**	**–**	**1,039**
Opening carrying amounts	1,039	–	1,039
Depreciation charges	(258)	–	(258)
Closing carrying amounts	**781**	**–**	**781**
At December 31, 2024			
Cost	5,309	–	5,309
Accumulated depreciation	(4,528)	–	(4,528)
Carrying amounts	**781**	**–**	**781**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

19. INVESTMENT PROPERTIES (Continued)

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2025			
Cost	5,309	–	5,309
Accumulated depreciation	(4,528)	–	(4,528)
Carrying amounts	**781**	**–**	**781**
Opening carrying amounts	781	–	781
Transfer from right-of-use assets	–	142,028	142,028
Depreciation charges	(254)	–	(254)
Closing carrying amounts	**527**	**142,028**	**142,555**
At December 31, 2025			
Cost	5,309	148,423	153,732
Accumulated depreciation and amortization	(4,782)	(6,395)	(11,177)
Carrying amounts	**527**	**142,028**	**142,555**

The investment properties are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	15-30 years
Land use rights	50 years

See Note 46 for the other accounting policies relevant to investment properties.

(i) Properties held by the Group for the purpose of earning rental income, achieving capital appreciation, or both are presented as investment property. When there is a change in the use of such held properties, the Company shall reclassify the investment property to property, plant and equipment.

(b) Fair Value Disclosure

For disclosure purposes, the Company has engaged an independent valuer to assess the fair value of the investment properties. The fair value of the investment properties as at December 31, 2025 was approximately RMB 146,522,000, and the fair value hierarchy is set out below:

Description	**Valuation Technique**	**Significant unobservable input**	**Range of significant unobservable input**
Land unit located in China	Market Approach (level 2)	Market Unit Price (RMB/sqm)	4,000 to 7,000 RMB/sqm

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. LEASE

20.1 The Group and the Company as the lessee

(a) Amounts Recognized in the Consolidated Statements of Financial Position

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Land use rights	421,663	543,663	365,806
Buildings	1,136,688	1,201,297	1,992,162
Machinery equipment	29,705	27,763	137,700
Motor vehicles	76	–	–
	1,588,132	**1,772,723**	**2,495,668**
Lease liabilities			
Current	29,698	131,842	500,891
Non-current	1,842,799	1,351,519	1,790,065
	1,872,497	**1,483,361**	**2,290,956**

(i) Additions to the right-of-use assets during the years ended December 31, 2023, 2024 and 2025 were approximately RMB593,573,000, RMB283,196,000 and RMB1,087,772,000 respectively.

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Buildings	4,566	2,609	652
Land use rights	58,364	56,830	23,231
	62,930	**59,439**	**23,883**
Lease liabilities			
Current	2,006	1,880	614
Non-current	2,741	861	–
	4,747	**2,741**	**614**

(b) The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The discount rate used during the years ended December 31, 2023 and 2024 were remained at 1.64% to 6.00%. The discount rate used during the year ended December 31, 2025 was ranged from 1.64% to 9.60%.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. LEASE (Continued)

20.1 The Group and the Company as the lessee (Continued)

(c) Depreciation charges of right-of-use assets have been recognized as follows:

The consolidated statements of profit or loss and the consolidated statements of cash flow contain the following amounts relating to leases:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets:			
-Land use rights	12,859	16,682	17,986
-Buildings	70,452	69,996	92,142
-Machinery equipment	3,951	1,943	6,749
-Motor vehicles	130	76	—
	87,392	**88,697**	**116,877**

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense (included in finance cost)	93,255	69,674	111,289
Expense relating to short-term and low value leases not included in lease liabilities	18,684	8,045	58,365
	111,939	**77,719**	**169,654**

The total cash outflows for lease payments during the years ended December 31, 2023, 2024 and 2025 were approximately RMB 201,686,000, RMB652,362,000 and RMB325,595,000, respectively.

As a lessee, the Group leases buildings, machinery equipment, motor vehicles and land use rights. Lease contracts typically have fixed terms, ranging from 16 to 60 months for buildings, machinery equipment and motor vehicles, 50 years for land use rights. They are stated at cost less accumulated depreciation and accumulated impairment losses.

The Group has pledged machinery equipment with carrying amount of approximately RMB 1,252,668,000, RMB 1,259,000,000 and RMB2,209,354,000 as at December 31, 2023, 2024 and 2025, respectively to finance lease granted to the Group.

See Note 46 for the other accounting policies relevant to lease.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. LEASE (Continued)

20.2 The Group as the lessor

(a) Operating Lease

(i) Lease Income

The Group

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Lease income	2,074	647	3,496

(ii) Assets leased out under operating leases

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investment property	1,039	781	142,555

(iii) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	123	82	943
Between 1 and 2 years	—	—	949
Between 2 and 3 years	—	—	277
	123	**82**	**2,169**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS

	Software	Trademark right and Patent right	Know-how	Customer Resources	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023						
Cost	232,519	140,568	6,733	–	2,239,041	2,618,861
Accumulated amortization	(166,693)	(85,208)	(6,733)	–		(258,634)
Accumulated impairment	–	–	–	–	(47,101)	(47,101)
Carrying amounts	**65,826**	**55,360**	**–**	**–**	**2,191,940**	**2,313,126**
Year ended December 31, 2023						
Opening carrying amounts	65,826	55,360	–	–	2,191,940	2,313,126
Additions	3,012	14,151	–	–	–	17,163
Transfers from construction in progress	35,555	–	–	–	–	35,555
Disposals	(1,077)	–	–	–	–	(1,077)
Additions from business combination (Note 42)	36,896	–	–	187,479	–	224,375
Amortization charges	(49,346)	(12,227)		(19,049)	–	(80,622)
Impairment	–	–	–	–	(29,243)	(29,243)
Foreign currency translation differences	1	(2,221)	–	(4,000)	–	(6,220)
Closing carrying amounts	**90,867**	**55,063**	**–**	**164,430**	**2,162,697**	**2,473,057**
At December 31, 2023						
Cost	362,387	154,719	6,733	183,479	2,239,041	2,946,359
Accumulated amortization	(271,520)	(99,656)	(6,733)	(19,049)	–	(396,958)
Accumulated impairment	–	–	–	–	(76,344)	(76,344)
Carrying amounts	**90,867**	**55,063**	**–**	**164,430**	**2,162,697**	**2,473,057**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

	Software	Trademark right and Patent right	Know-how	Customer Resources	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024						
Cost	362,387	154,719	6,733	183,479	2,239,041	2,946,359
Accumulated amortization	(271,520)	(99,656)	(6,733)	(19,049)	–	(396,958)
Accumulated impairment	–	–	–	–	(76,344)	(76,344)
Carrying amounts	**90,867**	**55,063**	**–**	**164,430**	**2,162,697**	**2,473,057**
Year ended December 31, 2024						
Opening carrying amounts	90,867	55,063	–	164,430	2,162,697	2,473,057
Additions	49,239	162	–	–	–	49,401
Transfers from construction in progress	3,863	–	–	–	–	3,863
Disposals	(730)	–	–	–	–	(730)
Amortization charges	(54,183)	(9,745)	–	(20,780)	–	(84,708)
Impairment	–	–	–	–	(85,223)	(85,223)
Foreign currency translation differences	(41)	(5,445)	–	(5,421)	–	(10,907)
Closing carrying amounts	**89,015**	**40,035**	**–**	**138,229**	**2,077,474**	**2,344,753**
At December 31, 2024						
Cost	411,964	154,881	6,733	183,479	2,239,041	2,996,098
Accumulated amortization	(322,949)	(114,846)	(6,733)	(45,250)	–	(489,778)
Accumulated impairment	–	–	–	–	(161,567)	(161,567)
Carrying amounts	**89,015**	**40,035**	**–**	**138,229**	**2,077,474**	**2,344,753**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

	Software	Trademark right and Patent right	Development Expenditure	Customer Resources	Goodwill	Know-how	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025							
Cost	411,964	154,881	–	183,479	2,239,041	6,733	2,996,098
Accumulated amortization	(322,949)	(114,846)	–	(45,250)	–	(6,733)	(489,778)
Accumulated impairment	–	–	–	–	(161,567)	–	(161,567)
Carrying amounts	**89,015**	**40,035**	**–**	**138,229**	**2,077,474**	**–**	**2,344,753**
Year ended December 31, 2025							
Opening carrying amounts	89,015	40,035	–	138,229	2,077,474	–	2,344,753
Additions	49,794	773	9,429	–	–	2,517	62,513
Transfer from development expenditure	–	–	(27,523)	–	–	27,523	–
Disposals	(1,444)	–	–	–	–	(30)	(1,474)
Amortization charges	(54,678)	(28,643)	–	(22,159)	–	(7,042)	(112,522)
Impairment	–	–	–	–	(107,245)	–	(107,245)
Additions from business combination (Note 42)	5,844	6,458	61,906	–	2,825,094	545,245	3,444,547
Foreign currency translation differences	(12)	62	(2,118)	539	(26,065)	(734)	(28,328)
Closing carrying amounts	**88,519**	**18,685**	**41,694**	**116,609**	**4,769,258**	**567,479**	**5,602,244**
At December 31, 2025							
Cost	462,781	208,915	51,377	183,479	5,038,070	654,670	6,599,292
Accumulated amortization	(374,262)	(190,230)	–	(66,870)	–	(66,765)	(698,127)
Accumulated impairment	–	–	(9,683)	–	(268,812)	(20,426)	(298,921)
Carrying amounts	**88,519**	**18,685**	**41,694**	**116,609**	**4,769,258**	**567,479**	**5,602,244**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(a) Amortization expenses have been recognized as follows:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
General and administrative expenses	33,349	21,742	35,880
Cost of revenue	27,819	40,330	52,016
Inventories	10,116	12,354	10,279
Research and development expenses	9,248	9,215	13,048
Selling and marketing expenses	90	1,067	1,299
	80,622	**84,708**	**112,522**

(b) Amortization Methods and Periods

(i) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software.

(ii) Trademark right and Patent right

Trademark right and patent right are initially recognized at fair value and historical costs on the acquisition date and subsequently carried at cost less accumulated amortization and impairment losses.

(iii) Customer Resources

Customer resources are initially recognized at fair value on the acquisition date and subsequently carried at cost less accumulated amortization and impairment losses.

(iv) Know-how

Know-how is recognised as an intangible asset when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent to initial recognition, know-how is measured at cost less accumulated amortisation and accumulated impairment losses.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Software	3 years
Trademark right and patent right	10 years
Customer resources	10 years
Know-how	3-5 years

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(c) Research and Development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Impairment Tests for Goodwill

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The carrying amounts of goodwill allocated to the cash generating units or group of cash generating units ("CGU" or "CGUs") are as follows:

	Opening	**Addition**	**Impairment**	**Closing**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023				
MFLEX	1,770,753	–	–	1,770,753
Multek	179,329	–	–	179,329
Mutto Optronics	115,725	–	(29,243)	86,482
Suzhou RF	126,133	–	–	126,133
	2,191,940	**–**	**(29,243)**	**2,162,697**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(d) Impairment Tests for Goodwill (Continued)

	Opening	**Addition**	**Impairment**	**Closing**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2024				
MFLEX	1,770,753	–	–	1,770,753
Multek	179,329	–	–	179,329
Mutto Optronics	86,482	–	(48,393)	38,089
Suzhou RF	126,133	–	(36,830)	89,303
	2,162,697	**–**	**(85,223)**	**2,077,474**
Year ended December 31, 2025				
MFLEX	1,770,753	–	–	1,770,753
Multek	179,329	–	–	179,329
Mutto Optronics	38,089	–	(38,089)	–
Suzhou RF	89,303	–	(69,156)	20,147
Source Photonics	–	2,799,029	–	2,799,029
	2,077,474	**2,799,029**	**(107,245)**	**4,769,258**

(i) The goodwill is generated from business combination of MFLEX Delaware, Inc ("MFLEX"). Management regards MFLEX as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

(ii) The goodwill is generated from business combination of Multek Hong Kong Limited ("Multek"). Management regards Multek as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

(iii) The goodwill is generated from business combination of Mutto Optronics Technology Co., Ltd. ("Mutto Optronics"). Management regards Mutto Optronics as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

(iv) The goodwill is generated from business combination of Suzhou RF Top Electric Communications Co., Ltd ("Suzhou RF"). Management regards Suzhou RF as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

(v) The goodwill is generated from business combination of Source Photonics Holdings (Cayman) Limited ("Source Photonics"). Management regards Source Photonics as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(d) Impairment Tests for Goodwill (Continued)

The following table sets out the key assumptions for these CGUs that have goodwill allocated to them:

Year ended December 31, 2023

	MFLEX	**Multek**	**Mutto Optronics**	**Suzhou RF**
Revenue annual growth rates	0.10% to 1.19%	-0.76% to 4.06%	1.50% to 8.73%	-1.34% to 24.14%
Operating profit margin	16.19% to 17.30%	16.49% to 17.45%	6.42% to 7.12%	18.00% to 24.69%
Perpetual annual growth rates	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	11.68%	10.99%	10.84%	12.46%

Year ended December 31, 2024

	MFLEX	**Multek**	**Mutto Optronics**	**Suzhou RF**
Revenue annual growth rates	0.13% to 1.00%	0.99% to 2.09%	-19.66% to 2%	-1.34% to 27.80%
Operating profit margin	16.23% to 17.57%	17.22% to 18.00%	7.38% to 7.62%	7.54% to 19.23%
Perpetual annual growth rates	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	13.83%	11.55%	9.49%	12.40%

Year ended December 31, 2025

	MFLEX	**Multek**	**Mutto Optronics**	**Suzhou RF**	**Source Photonics**
Revenue annual growth rates	0.00% to 0.40%	0.32% to 7.73%	6.00% to 6.00%	5.03% to 71.83%	1.85% to 16.03%
Operating profit margin	9.24% to 10.44%	9.74% to 11.63%	5.51% to 7.02%	12.79% to 17.48%	26.02% to 28.39%
Perpetual annual growth rates	0.00%	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	12.73%	12.50%	9.30%	14.20%	16.70%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(d) Impairment Tests for Goodwill (Continued)

Operating profit margin	Based on past performance and management's expectations for the future.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

(e) Impact of possible changes in key assumptions

Based on management's assessment on the recoverable amounts, the headroom of these CGUs as follows:

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
MFLEX	7,674,174	4,396,518	7,807,868
Multek	195,185	246,458	282,723
Mutto Optronics	—	—	—
Suzhou RF	22,513	—	—
Source Photonics	—	—	386,108

Sensitivity analysis has been performed based on the assumptions that revenue annual growth rates, operating profit margin and pre-tax discount rates has been changed. Had the estimated key assumptions during the forecast period been changed as shown below, while other parameters remain constant, the headroom of the CGUs would be as follows:

For MFLEX CGU

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Average revenue annual growth rate decreased by 0.5%	7,594,174	4,326,518	7,647,868
Operating profit margin decreased by 0.5%	6,734,174	3,576,518	6,907,868
Pre-tax discount rate increased by 0.5%	7,034,174	3,956,518	7,207,868

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(e) Impact of possible changes in key assumptions (Continued)

The Group (Continued)

For Multek CGU

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Average revenue annual growth rate decreased by 0.5%	185,185	226,458	246,723
Operating profit margin decreased by 0.5%	35,185	86,458	94,723
Pre-tax discount rate increased by 0.5%	85,185	136,458	136,723

For Suzhou RF CGU

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Average revenue annual growth rate decreased by 0.5%	3,513	—	—
Operating profit margin decreased by 0.5%	3,513	—	—
Pre-tax discount rate increased by 0.5%	5,513	—	—

For Source Photonics CGU

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Average revenue annual growth rate decreased by 0.5%	—	—	376,108
Operating profit margin decreased by 0.5%	—	—	326,108
Pre-tax discount rate increased by 0.5%	—	—	186,108

Based on the results of impairment test as at December 31, 2023, the recoverable amount of MFLEX CGU, Multek CGU and Suzhou RF CGU are significantly above the carrying amount of the Group.

Based on the results of impairment test as at December 31, 2024, the recoverable amount of MFLEX CGU and Multek CGU are significantly above the carrying amount of the Group. Management of the Group believes that any reasonably possible change in any of the key assumptions would not result in impairment.

Based on the results of impairment test as at December 31, 2025, the recoverable amount of MFLEX CGU, Multek CGU and Source Photonics CGU are significantly above the carrying amount of the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(e) Impact of possible changes in key assumptions (Continued)

The Group (Continued)

The recoverable amounts of the CGUs would equal their carrying amounts if the key assumptions were to change as follows:

For MFLEX CGU

	As at December 31		
	2023	2024	2025
Revenue annual growth rates	-45.98%	-31.40%	-25.25%
Operating profit margin	-4.10%	-2.69%	-4.34%
Pre-tax discount rates	10.92%	7.10%	11.35%

For Multek CGU

	As at December 31		
	2023	2024	2025
Revenue annual growth rates	-10.24%	-9.00%	-3.93%
Operating profit margin	-0.80%	-0.77%	-0.75%
Pre-tax discount rates	1.35%	1.25%	1.00%

For Suzhou RF CGU

	As at December 31		
	2023	2024	2025
Revenue annual growth rates	-0.59%	—	—
Operating profit margin	-0.59%	—	—
Pre-tax discount rates	0.65%	—	—

For Source Photonics CGU

	As at December 31		
	2023	2024	2025
Revenue annual growth rates	—	—	-10.99%
Operating profit margin	—	—	-3.39%
Pre-tax discount rates	—	—	6.00%

(f) Impairment Tests for Development Expenditure

Development Expenditure is not subject to amortization for certain subsidiaries and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(f) Impairment Tests for Development Expenditure (Continued)

value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The following table sets out the key assumptions, where the Group used five-year period as the projection period for the cash flow forecast.

	Year ended December 31, 2025
Development Expenditure	
Revenue annual growth rates	0.00% to 16.82%
Perpetual annual growth rates	0.00%
Pre-tax discount rates	16.50%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determine values**
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(f) Impairment Tests for Development Expenditure (Continued)

Impact of possible changes in key assumptions

Based on management's assessment on the recoverable amounts, the headroom is as follows:

	As at December 31 2025
Development Expenditure	591,039

The recoverable amounts would equal their carrying amounts if the key assumptions were to change as follows:

	As at December 31 2025
Revenue annual growth rates	57.50%
Pre-tax discount rates	385.27%

Sensitivity analysis has been performed based on the assumptions that revenue annual growth rates and pre-tax discount rates has been changed. Had the estimated key assumptions during the forecast period been changed as shown below, while other parameters remain constant, the headroom would be as follows:

	As at December 31 2025
Average revenue annual growth rate decreased by 1%	7,000
Pre-tax discount rate increased by 1%	2,000

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22. FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during the Track Record Period is as below:

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at fair value:			
Notes receivables at FVOCI (Note 16)	290,477	252,612	285,278
Equity instruments at FVOCI(Note 16)	278,157	333,657	442,976
Financial assets at FVTPL (Note 28)	128,752	63,212	136,428
Derivative financial assets	17,389	14,932	65,126
	714,775	**664,413**	**929,808**
Financial assets measured at amortized cost:			
Trade and notes receivables (Note 24)	7,716,572	7,672,495	10,073,032
Restricted cash and term deposits (Note 29)	1,545,549	1,828,731	1,545,561
Cash and cash equivalents (Note 29)	5,644,487	5,343,600	6,104,723
Other receivables (Note 25)	147,467	144,770	722,285
	15,054,075	**14,989,596**	**18,445,601**

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Derivative financial liabilities	33,347	11,038	46,546
Financial liabilities measured at amortized cost:			
Trade and notes payables (Note 31)	8,948,278	10,594,850	14,045,950
Accruals and other payables (excluding non-financial liabilities) (Note 32)	377,184	143,598	705,336
Lease liabilities (Note 20)	1,872,497	1,483,361	2,290,956
Borrowings (Note 30)	12,329,399	12,427,288	17,345,850
	23,527,358	**24,649,097**	**34,388,092**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at fair value:			
Notes receivables at FVOCI (Note 16)	16,446	18,920	97,221
Equity instruments at FVOCI(Note 16)	171,322	221,322	233,621
Financial assets at FVPL (Note 28)	–	–	725,590
Derivative financial assets	–	–	220
	187,768	**240,242**	**1,056,652**
Financial assets measured at amortized cost:			
Trade and notes receivables (Note 24)	2,084,886	3,143,493	2,968,231
Restricted cash and term deposits (Note 29)	642,980	551,130	444,001
Cash and cash equivalents (Note 29)	478,844	538,870	716,293
Other receivables (Note 25)	5,282,635	5,999,488	6,775,088
	8,489,345	**10,232,981**	**10,903,613**

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Financial liabilities measured at amortized cost:			
Trade and notes payables (Note 31)	1,775,847	1,975,513	2,508,002
Accruals and other payables (excluding non-financial liabilities) (Note 32)	3,906,537	5,101,961	5,522,584
Lease liabilities (Note 20)	4,747	2,741	614
Borrowings (Note 30)	6,149,783	5,343,507	4,738,555
	11,836,914	**12,423,722**	**12,769,755**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Gross deferred tax assets	1,078,141	1,067,531	1,442,116
Offsetting against deferred tax liabilities	(492,138)	(601,620)	(612,353)
Net deferred tax assets	**586,003**	**465,911**	**829,763**
Gross deferred tax liabilities	691,293	863,840	1,247,160
Offsetting against deferred tax assets	(492,138)	(601,620)	(612,353)
Net deferred tax liabilities	**199,155**	**262,220**	**634,807**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) *Deferred Tax Assets*

	Tax losses	Loss allowance and impairment provision	Government grants	Hedging instruments	Accrued expenses	Lease liabilities	Unrealized profits	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	197,499	164,460	121,152	16,207	24,657	271,246	42,353	42,659	880,233
Credited/(charged) to profit or loss (note 12)	192,045	(36,030)	(13,897)	–	(4,216)	71,364	12,257	(31,209)	190,314
Credited/(charged) to other comprehensive income	–	–	–	(11,282)	–	–	–	–	(11,282)
Foreign exchange differences	–	–	–	–	–	–	5,043	–	5,043
Business combination	–	–	–	–	988	347	–	12,498	13,833
At December 31, 2023	**389,544**	**128,430**	**107,255**	**4,925**	**21,429**	**342,957**	**59,653**	**23,948**	**1,078,141**
At January 1, 2024	389,544	128,430	107,255	4,925	21,429	342,957	59,653	23,948	1,078,141
Credited/(charged) to profit or loss (note 12)	(27,023)	77,299	(21,585)	–	83,487	(113,524)	(3,685)	(2,571)	(7,602)
Credited/(charged) to other comprehensive income	–	–	–	(3,643)	–	–	–	–	(3,643)
Disposal	–	(486)	–	–	–	–	–	–	(486)
Foreign exchange differences	–	–	–	–	–	–	1,121	–	1,121
At December 31, 2024	**362,521**	**205,243**	**85,670**	**1,282**	**104,916**	**229,433**	**57,089**	**21,377**	**1,067,531**
At January 1, 2025	362,521	205,243	85,670	1,282	104,916	229,433	57,089	21,377	1,067,531
Credited/(charged) to profit or loss (note 12)	176,938	(74,271)	28,953	189	(65,084)	48,890	7,717	(3,511)	119,821
Credited/(charged) to other comprehensive income	–	–	–	(1,281)	–	–	–	–	(1,281)
Business combination	20,180	74,512	3,546	–	33,284	116,415	–	9,977	257,914
Foreign exchange differences	(340)	63	–	–	203	(17)	(1,886)	108	(1,869)
At December 31, 2025	**559,299**	**205,547**	**118,169**	**190**	**73,319**	**394,721**	**62,920**	**27,951**	**1,442,116**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

(b) Deferred Tax Liabilities

	Accelerated tax depreciation	Accruals	Right-of-use assets	Fair value adjustments of assets	Hedging instruments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	380,450	14,088	252,035	–	770	647,343
Charged/(credited) to profit or loss (note 12)	(62,112)	4,830	14,370	(7,933)	–	(50,845)
Credited to other comprehensive income	–	–	–	–	(770)	(770)
Business combination	–	–	426	95,139	–	95,565
At December 31, 2023	**318,338**	**18,918**	**266,831**	**87,206**	**–**	**691,293**
At January 1, 2024	318,338	18,918	266,831	87,206	–	691,293
Charged/(credited) to profit or loss (note 12)	205,250	1,032	(25,538)	(7,334)	–	173,410
Charged to other comprehensive income	–	–	–	–	157	157
Disposal	–	(1,020)	–	–	–	(1,020)
At December 31, 2024	**523,588**	**18,930**	**241,293**	**79,872**	**157**	**863,840**
At January 1, 2025	523,588	18,930	241,293	79,872	157	863,840
Charged/(credited) to profit or loss (note 12)	53,777	9,710	4,333	(16,166)	(157)	51,497
Charged to other comprehensive income	10,860	–	–	–	–	10,860
Business combination	46,954	25,772	130,265	117,729	–	320,720
Foreign exchange differences	220	(6)	29	–	–	243
At December 31, 2025	**635,399**	**54,406**	**375,920**	**181,435**	**–**	**1,247,160**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

(c) Deferred Tax Assets Not Recognized

The Group has not recognized deferred tax assets in respect of the items below, which were not likely to generate taxable profit:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	485,740	786,634	2,267,692
Temporary differences	1,030,553	575,907	1,451,855
	1,516,293	**1,362,541**	**3,719,547**

The tax losses not recognized deferred tax assets can be carried forward in future years. As at December 31, 2023, 2024 and 2025, the following table shows unused tax losses based on its expected expiry date:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
2024	17,422	—	—
2025	17,011	11,286	—
2026	34,769	25,187	87,658
2027	74,369	62,146	80,268
2028	70,018	55,894	112,994
2029	26,130	56,991	309,478
2030	–	–	441,673
2031	1,012	1,012	98,861
2032	19,592	2,206	152,322
2033	225,417	225,417	80,859
2034	—	346,495	190,605
2035	—	—	703,967
2036	—	—	172
2037	—	—	268
2038	—	—	433
2039	—	—	327
2040	—	—	274
2041	—	—	254
2042	—	—	338
Unlimited	—	—	6,941
	485,740	**786,634**	**2,267,692**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

(c) Deferred Tax Assets Not Recognized (Continued)

The Company

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Gross deferred tax assets	189,736	36,910	90,362
Offsetting against deferred tax liabilities	(921)	(535)	(295)
Net deferred tax assets	**188,815**	**36,375**	**90,067**

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) Deferred Tax Assets

	Tax losses	Loss allowance and impairment provision	Government grants	Accrued expenses	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
At January 1, 2023	163,236	22,149	3,350	511	995	–	190,241
Credited/(charged) to profit or loss	(6,295)	6,746	(439)	(234)	(283)	–	(505)
At December 31, 2023	**156,941**	**28,895**	**2,911**	**277**	**712**	**–**	**189,736**
At January 1, 2024	156,941	28,895	2,911	277	712	–	189,736
Charged to profit or loss	(150,732)	(1,245)	(439)	(109)	(301)	–	(152,826)
At December 31, 2024	**6,209**	**27,650**	**2,472**	**168**	**411**	**–**	**36,910**
At January 1, 2025	6,209	27,650	2,472	168	411	–	36,910
Credited/(charged) to profit or loss	46,479	7,035	10	24	(319)	223	53,452
At December 31, 2025	**52,688**	**34,685**	**2,482**	**192**	**92**	**223**	**90,362**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

(b) Deferred Tax Liabilities

	Accruals	Right-of-use assets	Hedging instruments	Total
	RMB'000	*RMB'000*		*RMB'000*
At January 1, 2023	435	978	801	2,214
Credited to profit or loss	(199)	(293)	–	(492)
Credited to other comprehensive income	–	–	(801)	(801)
At December 31, 2023	**236**	**685**	**–**	**921**
At January 1, 2024	236	685	–	921
Credited to profit or loss	(92)	(294)	–	(386)
At December 31, 2024	**144**	**391**	**–**	**535**
At January 1, 2025	144	391	–	535
Charged/(credited) to profit or loss	21	(294)	–	(273)
Charged to other comprehensive income	–	–	33	33
At December 31, 2025	**165**	**97**	**33**	**295**

24. TRADE AND NOTES RECEIVABLES

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Trade receivables	–	–	281,695
Less: credit loss allowance	–	–	(1,408)
	–	**–**	**280,287**
Current:			
Trade receivables	8,194,146	7,960,638	10,200,816
Notes receivables	3,425	9,083	–
Less: credit loss allowance	(480,999)	(297,226)	(408,071)
	7,716,572	**7,672,495**	**9,792,745**

(a) As at January 1, 2023, the gross carrying amounts of trade and notes receivables from contracts with customers are amounting to RMB7,054,813,000 (net of expected credit loss amounting to RMB991,046,000).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24. TRADE AND NOTES RECEIVABLES (Continued)

The Group (Continued)

(b) The Group grants credit terms to some customers ranging from 30 to 90 days from the date of billing or delivery of goods. For sales under instalment payment method that has instalment payment periods generally ranging from 36 to 60 months. The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	7,444,151	7,558,742	9,816,164
7 to 12 months	78,620	111,118	145,140
1 to 2years	285,296	30,428	230,589
2 to 3 years	16,989	42,084	26,777
Over 3 years	369,090	218,266	263,841
	8,194,146	**7,960,638**	**10,482,511**

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	2,199,725	3,235,993	3,072,948
Notes receivables	183	–	–
Less: credit loss allowance	(115,022)	(92,500)	(104,717)
	2,084,886	**3,143,493**	**2,968,231**

The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	1,195,440	1,717,999	1,546,087
7 to 12 months	83,115	1,280,579	116,028
1 to 2 years	689,194	67,754	1,279,508
2 to 3 years	4,893	94,215	43,980
Over 3 years	227,083	75,446	87,345
	2,199,725	**3,235,993**	**3,072,948**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments:			
Prepayment for purchase of property, plant and equipment	906,361	493,141	1,015,869
Prepayment for long-term prepaid expenses	8,690	7,697	6,704
	915,051	**500,838**	**1,022,573**
Other receivables:			
Deposits	30,000	30,000	30,000
Acquisition Deposit	–	–	434,406
Others	–	–	49,036
Less: provision for impairment	–	–	(2,526)
	30,000	**30,000**	**510,916**
	945,051	**530,838**	**1,533,489**
Current:			
Prepayments:			
Prepayments for raw materials	57,861	47,908	210,462
Prepayments for operating expenses	230,340	352,230	398,423
Prepaid corporate income tax	35,893	56,073	128,996
Others	3,041	7,331	4,847
Less: provision for impairment	(6,109)	–	–
	321,026	**463,542**	**742,728**

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other receivables:			
Deposits and warranties	24,180	34,358	123,411
Receivables and temporary payments	63,320	21,096	100,135
Futures margin	40,332	68,934	45,509
Others	3,009	6,147	25,105
Less: provision for impairment	(13,374)	(15,765)	(96,897)
	117,467	**114,770**	**197,263**
	438,493	**578,312**	**939,991**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments:			
Prepayment for purchase of property, plant and equipment	136,933	51,247	28,700
Other receivables:			
Deposits	30,000	30,000	30,000
Acquisition Deposit	–	–	434,406
Others	–	–	49,036
Less: provision for impairment	–	–	(2,526)
	166,933	**81,247**	**539,616**
Current:			
Prepayments:			
Prepayments for raw materials	253,087	25,678	24,013
Prepayments for operating expenses	40,677	61,209	28,439
Prepaid corporate income tax	9,166	–	14,931
Others	562	2,303	–
	303,492	**89,190**	**67,383**
Other receivables:			
Intercompany balances	3,043,265	4,469,456	4,829,938
Dividend receivables	2,203,111	1,495,758	1,430,533
Deposits and warranties	2,042	1,325	5
Others	6,813	7,048	8,325
Less: provision for impairment	(2,596)	(4,099)	(4,629)
	5,252,635	**5,969,488**	**6,264,172**
	5,556,127	**6,058,678**	**6,331,555**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

26. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSESTS

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other current assets			
Deductible input VAT	340,313	743,119	784,369
Cost of returned goods receivable	29,833	28,123	25,697
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	[REDACTED]	**[REDACTED]**	**[REDACTED]**
Other non-current assets			
Unrealized gains from sale-lease back transactions	26,662	19,414	7,711
Others	–	–	1,557
	26,662	**19,414**	**9,268**

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other current assets			
Deductible input VAT	9,911	21,250	7,715
Cost of returned goods receivables	1,571	956	1,092
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	[REDACTED]	**[REDACTED]**	**[REDACTED]**
Other non-current assets			
Unrealized gains from sale-lease back transactions	**26,662**	**19,414**	**7,711**

27. INVENTORIES

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,137,853	1,654,515	2,758,783
Work in progress	891,175	1,003,085	2,333,780
Finished goods	4,974,174	4,503,261	4,985,685
Consumable materials	9,967	2,516	100,292
Less: provision for impairment	(719,290)	(1,010,721)	(1,249,596)
	6,293,879	**6,152,656**	**8,928,944**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

27. INVENTORIES (Continued)

The Group (Continued)

(i) The cost of inventories carried forward to the profit or loss during the year is mainly recognized as the cost of revenue. For the years ended December 31, 2023, 2024 and 2025, the cost of inventories carried forward to the cost of revenue amounted to approximately RMB27,662,285,000, RMB30,958,028,000 and RMB33,665,443,000, respectively.

(ii) Provision for inventories recorded as cost of revenue during the years ended December 31, 2023, 2024 and 2025 were RMB397,215,000, RMB454,660,000 and RMB580,656,000, respectively.

(iii) The written off of provisions for inventories during the years ended December 31, 2023, 2024 and 2025 were RMB132,220,000, RMB165,710,000 and RMB581,877,000, respectively.

(iv) The impact of foreign exchange gains as at December 31, 2023, 2024 and 2025 were approximately RMB5,037,000, RMB2,481,000 and RMB240,097,000, respectively.

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	150,058	217,251	188,936
Work in progress	186,172	54,954	65,305
Finished goods	1,040,563	806,476	544,225
Less: provision for impairment	(77,610)	(91,834)	(123,994)
	1,299,183	**986,847**	**674,472**

28. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets and liabilities at fair value through profit or loss

The group classifies the following financial assets and liabilities at fair value through profit or loss (FVTPL):

Equity investments that are held for trading, and equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

28. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(i) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

Financial assets and liabilities mandatorily measured at FVTPL include the following:

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
- Equity investments on unlisted entities	81,310	63,212	124,913
- Wealth management products	47,442	–	11,515
- Derivative financial assets	10,239	14,644	17,944
	138,991	**77,856**	**154,372**
Current liabilities			
- Derivative financial liabilities	215	2,691	24,159

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
- Convertible bond	**–**	**–**	**725,590**

(ii) Amounts recognized in profit or loss

During the year, the following gains/(losses) were recognized in profit or loss:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fair value gains/(losses) on financial assets at FVTPL	1,916	(820)	86,189
Fair value losses on financial liabilities at FVTPL	(11,657)	(17,078)	(24,167)
Net gains on disposal and holding of financial assets at FVTPL	24,025	10,297	7,578
	14,284	**(7,601)**	**69,600**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

(a) Cash and Cash Equivalents

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	7,190,036	7,172,331	7,650,284
Less: Restricted cash and term deposits (i)	(1,545,549)	(1,828,731)	(1,545,561)
Cash and cash equivalents	**5,644,487**	**5,343,600**	**6,104,723**

(i) As at December 31, 2024 and 2025, the Group's bank deposits amounting to RMB1,828,731,000 and RMB1,545,561,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees, borrowings, letters of credit and derivative instruments granted to the Group.

As at December 31, 2023, the Group's bank deposits amounting to RMB1,315,352,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees, borrowings, letters of credit and derivative instruments granted to the Group, RMB230,197,000 deposits placed with banks were temporarily frozen for business combination.

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	1,121,824	1,090,000	1,160,294
Less: restricted cash and term deposits(ii)	(642,980)	(551,130)	(444,001)
Cash and cash equivalents	**478,844**	**538,870**	**716,293**

(ii) As at December 31, 2024 and 2025, the Group's bank deposits amounting to RMB551,130,000 and RMB444,001,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees, borrowings, letters of credit granted to the Group.

As at December 31, 2023, the Group's bank deposits amounting to RMB412,783,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees, borrowings, letters of credit granted to the Group. RMB230,197,000 deposits placed with banks were temporarily frozen for business combination.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS (Continued)

(b) Cash and cash equivalents are Denominated in:

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
RMB	3,189,574	2,766,293	3,103,409
USD	3,956,331	4,108,062	3,304,040
EUR	4,490	8,143	1,174,886
Others	39,641	289,833	67,949
	7,190,036	**7,172,331**	**7,650,284**

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
RMB	909,098	875,418	1,140,277
USD	211,602	213,500	18,787
Others	1,124	1,082	1,230
	1,121,824	**1,090,000**	**1,160,294**

30. BORROWINGS

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Bank borrowings			
– Secured	2,472,169	2,193,607	3,354,405
– Unsecured	2,230,996	3,091,448	3,019,025
Interest payables	3,115	4,133	1,649
	4,706,280	**5,289,188**	**6,375,079**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

30. BORROWINGS (Continued)

The Group (Continued)

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank borrowings			
– Secured	2,881,081	2,517,842	5,728,534
– Unsecured	4,733,516	4,612,100	5,221,349
Interest payables	8,522	8,158	20,888
	7,623,119	**7,138,100**	**10,970,771**

(a) As at December 31, 2023, 2024 and 2025, the annual interest rate of short-term borrowings was ranged from 0.01% to 6.10%, 0.01% to 6.00% and 1.33% to 5.10%, respectively.

As at December 31, 2023, 2024 and 2025, the annual interest rate of long-term borrowings was ranged from 1.31% to 5.15%, 2.25% to 5.15% and 2.24% to 4.14%, respectively.

(b) As at December 31, 2023, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB60,000,000 guaranteed by the Company, Mr. Yuan Yonggang and Mr. Yuan Yongfeng, and pledged by certain equipments and equity; (ii) borrowings with a principal equivalent to approximately RMB3,496,328,000 guaranteed by the Company; (iii) borrowings with a principal equivalent to approximately RMB193,168,000 secured by trade receivables; (iv) borrowings with a principal equivalent to approximately RMB586,324,000 secured by notes receivables measured at amortized cost and notes receivables at FVOCI; (v) borrowings with a principal equivalent to approximately RMB817,430,000 guaranteed by the subsidiary's equity; (vi) borrowings with a principal equivalent to approximately RMB200,000,000 guaranteed by the Company, Mr. Yuan Yonggang and Mr. Yuan Yongfeng.

As at December 31, 2024, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB2,860,368,000 guaranteed by the Company; (ii) borrowings with a principal equivalent to approximately RMB90,000,000 secured by trade receivables; (iii) borrowings with a principal equivalent to approximately RMB763,839,000 secured by notes receivables measured at amortized cost and notes receivables at FVOCI; (iv) borrowings with a principal equivalent to approximately RMB121,162,000 secured by restricted cash; (v) borrowings with a principal equivalent to approximately RMB676,080,000 guaranteed by the subsidiary's equity; (vi) borrowings with a principal equivalent to approximately RMB200,000,000 guaranteed by the Company, Mr. Yuan Yonggang and Mr. Yuan Yongfeng.

As at December 31, 2025, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB3,978,558,000 guaranteed by the Company; (ii) borrowings with a principal equivalent to approximately RMB981,562,000 secured by trade receivables; (iii) borrowings with a principal equivalent to approximately RMB340,000,000 secured by notes receivables; (iv) borrowings with a principal equivalent to approximately RMB3,674,783,000 guaranteed by subsidiaries; (v) borrowings with a principal equivalent to approximately RMB105,292,000 pledged by equipment; (vi) borrowings with a principal equivalent to approximately RMB2,745,000 guaranteed by the subsidiary and the European Investment Bank as third-party guarantor.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

30. BORROWINGS (Continued)

The Group (Continued)

As at December 31, 2023, 2024 and 2025, the Group's borrowings were repayable as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	7,623,119	7,138,100	10,970,771
Between 1 and 2 years	2,414,980	3,460,489	1,921,047
Between 2 and 5 years	2,062,928	1,513,659	1,326,785
Over 5 years	228,372	315,040	3,127,247
	12,329,399	**12,427,288**	**17,345,850**

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Bank borrowings			
– Secured	817,430	593,560	–
– Unsecured	1,587,170	1,656,300	1,356,020
Interest payables	838	1,757	832
	2,405,438	**2,251,617**	**1,356,852**
Current			
Bank borrowings			
– Secured	–	82,520	–
– Unsecured	3,740,161	3,008,708	3,379,330
Interest payables	4,184	662	2,373
	3,744,345	**3,091,890**	**3,381,703**

As at December 31, 2023, 2024 and 2025, the annual interest rate of short-term borrowings was ranged from 1.50% to 4.67%, 2.05% to 3.30% and 2.11% to 2.45%, respectively.

As at December 31, 2023, 2024 and 2025, the annual interest rate of long-term borrowings was ranged from 2.60% to 4.50%, 2.38% to 3.55% and 2.24% to 2.6%, respectively.

(d) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

31. TRADE AND NOTES PAYABLES

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes payables			
– Trade payables	8,039,107	9,659,269	13,043,137
– Notes payables	909,171	935,581	1,002,813
	8,948,278	**10,594,850**	**14,045,950**

(a) As at December 31, 2023, 2024 and 2025, trade payables include payables for construction and equipment amounting to RMB1,055,789,000, RMB2,235,671,000 and RMB2,493,240,000.

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	7,691,012	9,271,713	12,455,037
1 to 2 years	254,469	282,433	351,898
2 to 3 years	34,364	50,757	102,999
Over 3 years	59,262	54,366	133,203
	8,039,107	**9,659,269**	**13,043,137**

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes payables			
– Trade payables	1,326,777	1,389,943	1,713,486
– Notes payables	449,070	585,570	794,516
	1,775,847	**1,975,513**	**2,508,002**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

31. TRADE AND NOTES PAYABLES (Continued)

The Company (Continued)

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,283,301	1,353,164	1,699,188
1 to 2 years	36,090	31,579	6,875
2 to 3 years	491	365	2,692
Over 3 years	6,895	4,835	4,731
	1,326,777	**1,389,943**	**1,713,486**

32. ACCRUALS AND OTHER PAYABLES

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Salaries, wages and benefits	–	–	142,470
Equity acquisition payables	48,708	22,449	–
	48,708	**22,449**	**142,470**

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Salaries, wages and benefits	553,179	597,573	995,232
Equity acquisition payables	248,288	26,986	564,039
Taxes other than income tax payables	50,269	53,382	128,156
Temporary receipt payables	60,966	54,102	77,244
Others	19,222	40,061	92,169
	931,924	**772,104**	**1,856,840**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

32. ACCRUALS AND OTHER PAYABLES (Continued)

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Intercompany balances	3,668,925	5,091,997	5,486,383
Equity acquisition payables	226,169	–	–
Salaries, wages and benefits	53,046	30,758	21,209
Taxes other than income tax payables	3,260	3,170	2,982
Others	11,443	9,964	36,201
	3,962,843	**5,135,889**	**5,546,775**

33. PROVISIONS

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Restructuring provisions (i)	–	–	134,345
Onerous contracts	–	–	81,478
Product warranties (ii)	30,236	30,534	21,411
Refund liabilities for sales return (iii)	30,549	27,725	26,523
	60,785	**58,259**	**263,757**

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Refund liabilities for sales return (iii)	–	–	17,813

(i) In 2025, the Group's subsidiary, GMD Group, approved on two restructuring plans: in October 2025, GMD Group approved to close its ELY factory in Lyon, France; and in December 2025, it approved to dispose of the ESM factory. In accordance with French local labor regulations, employee compensation and length of service, as well as estimated disposal costs, the Group has recognized related restructuring provisions including employee severance payments, statutory and additional compensation, and litigation and legal service expenses.

(ii) The Group provides product quality warranty to its consumers and offers free warranties for faults and quality issues that occur within agreed years after the sale of such products. Based on historical warranty claim information and warranty experience, the Group estimates and accrues estimated

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

33. PROVISIONS (Continued)

liabilities for the warranties provided to its customers when selling products. As the recent warranty experience may not reflect the warranty situation of the sold products in the future, the management of the Group needs to use judgement to estimate this estimated liability.

(iii) Pursuant to the terms of sales return set out in the contracts with customers, based on historical sales returns information and experience, the Group estimates and accrues estimated liabilities for the sales returns provided to its customers when selling products.

34. DEFERRED INCOME

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	**733,457**	**585,934**	**889,843**

The movements of deferred income for the Track Record Period are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	747,588	733,457	585,934
Grants received during the year	131,752	7,370	523,442
Amounts released to profit or loss during the year	(145,883)	(154,893)	(219,533)
At the end of the year	**733,457**	**585,934**	**889,843**

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	**19,403**	**16,473**	**16,538**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35. SHARE CAPITAL

The Group and The Company

	Year ended December 31					
	2023		2024		2025	
	Share capital	Number of shares	Share capital	Number of shares	Share capital	Number of shares
	RMB'000	*'000*	*RMB'000*	*'000*	*RMB'000*	*'000*
At the beginning of the year	1,709,867	1,709,867	1,709,867	1,709,867	1,705,914	1,705,914
Deregistration of shares under share schemes (i)	–	–	(3,953)	(3,953)	–	–
Issuance of new shares (ii)	–	–	–	–	125,694	125,694
At the end of the year	**1,709,867**	**1,709,867**	**1,705,914**	**1,705,914**	**1,831,608**	**1,831,608**

(i) In August 2024, the Company deregistered the remaining 3,953,000 shares that were repurchased for the implementation of the ESOP, correspondingly reduced the Company's treasury shares by RMB75,916,000 and reduced the capital reserve by RMB71,963,000.

(ii) In June 2025, the Company issued 125,694,000 ordinary shares by way of private placement. The net proceeds from the issuance amounted to RMB1,391,514,000, of which RMB125,694,000 was recorded as share capital and RMB1,265,820,000 was recorded as other reserve.

36. TREASURY SHARES

The Group and The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	125,907	125,907	74,992
Repurchase of shares (i)(ii)	–	25,001	100,084
Deregistration of shares under share schemes	–	(75,916)	–
At the end of the year	**125,907**	**74,992**	**175,076**

(i) Pursuant to the Proposal Regarding Repurchase of the Company's Shares adopted at the 6th meeting of the 6th Board of Directors held on December 28, 2023. The Company repurchased 1,588,800 shares with the trading amount of RMB25,001,000.

(ii) Pursuant to the Proposal Regarding Repurchase of the Company's Shares adopted at the 18th meeting of the 6th Board of Directors held on April 9, 2025. The Company repurchased 4,202,000 shares with the trading amount of RMB 100,084,000.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

37. SHARE INCENTIVE SCHEME

Share Option Incentive Plans

(a) Equity-Settled shared-based payment arrangement of the Company

The Company convened the 2022 First Extraordinary General Meeting on March 8, 2022, reviewed and approved the "Proposal on the Company's 2022 Share Holding Plan for Core Management and Technical Personnel (Draft) and its Summary" and other related proposals (《關于公司 2022 年度核心管理人員和技術人才持股計劃（草案）及其摘要的議案》) and approved the grant of 1,366,120 repurchased shares to incentive employees on October 31, 2022, with a fair value of RMB 19.6 per share.

According to the plan provisions, and subject to the satisfaction of relevant individual performance assessment conditions, the granted shares will vest in two batches, with a vesting ratio of 50% for each batch:

The first batch: vests 12 months after the date on which the last batch of underlying shares is transferred to the share holding plan as announced by the Company;

The second batch: vests 24 months after the date on which the last batch of underlying shares is transferred to the share holding plan as announced by the Company.

	Year ended December 31		
	2023	**2024**	**2025**
	'000	*'000*	*'000*
At the beginning of the year	1,366	683	–
Granted	–	–	–
Exercise	(678)	(647)	–
Lapsed	(5)	(36)	–
At the end of the year	**683**	**–**	**–**

This plan does not involve an exercise price. Employees are not required to pay any consideration to vest the shares, which will be granted and vested in tranches based on the lock-up period and individual performance evaluation.

The fair value of the share options at the grant date is independently determined, with reference to the closing price of the company's shares on the date of the shareholders' meeting (held on October 31, 2022) that approved the employee share incentive scheme.

(b) Equity-Settled shared-based payment arrangement of Source Photonics

As at September 30, 2025, the Group acquired 97.48% equity interests of Source Photonics with the consideration of RMB4,358,976,000. Upon completion of the transactions, Source Photonics became the subsidiary of the Company.

Pursuant to the share option incentive scheme dual approved by the Board of Directors and Shareholders of Source Photonics on October 16, 2020 (the "2017 Share Plan (2020 Revisions)"), which authorizes that increase the maximum aggregate number of share options that may be issued to 31,115,675 Non-Voting Ordinary Shares.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

37. SHARE INCENTIVE SCHEME (Continued)

(b) Equity-Settled shared-based payment arrangement of Source Photonics (Continued)

The number of share options under the 2017 Share Plan (2020 Revisions) are summarized as follows:

	Year ended December 31
	2025
	'000
At the beginning of the year	–
Business combination	31,116
Granted	–
Forfeited	–
Repurchase of employee share options	(22,099)
At the end of the year	**9,017**

38. RETAINED EARNINGS

The Group

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	7,297,404	9,025,096	9,288,044
Net profit	1,964,525	1,085,641	1,386,067
Appropriation to statutory reserves	(49,520)	(47,374)	(16,910)
Reclassification of other comprehensive income to retained earnings	–	(350,000)	–
Dividends (Note 13)	(187,313)	(425,319)	(118,795)
At the end of the year	**9,025,096**	**9,288,044**	**10,538,406**

The Company

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	224,498	482,854	133,904
Net profit	495,189	473,743	169,097
Appropriation to statutory reserves	(49,520)	(47,374)	(16,910)
Reclassification of other comprehensive income to retained earnings	–	(350,000)	–
Dividends (Note 13)	(187,313)	(425,319)	(118,795)
At the end of the year	**482,854**	**133,904**	**167,296**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39. OTHER RESERVES

The Group

	Share premium	Other comprehensive income	Statutory reserves	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	7,896,511	(692,976)	135,348	158,383	7,497,266
Cash flow hedges	–	39,915	–	–	39,915
Currency translation differences of foreign operations	–	(61,604)	–	–	(61,604)
Share-based payment:					
-Share-based compensation expenses	–	–	–	8,874	8,874
Appropriation to statutory reserve	–	–	49,520	–	49,520
Balance at December 31, 2023	**7,896,511**	**(714,665)**	**184,868**	**167,257**	**7,533,971**

	Share premium	Other comprehensive income	Statutory reserves	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	7,896,511	(714,665)	184,868	167,257	7,533,971
Cash flow hedges	–	13,126	–	–	13,126
Currency translation differences of foreign operations	–	34,435	–	–	34,435
Share-based payment：					
-Share-based compensation expenses	–	–	–	478	478
-Exercise of share-based payment	26,239	–	–	(26,239)	–
-Deregistration of shares under share schemes	(71,963)	–	–	–	(71,963)
Reclassification of other comprehensive income to retained earnings	–	350,000	–	–	350,000
Appropriation to statutory reserve	–	–	47,374	–	47,374
Balance at December 31, 2024	**7,850,787**	**(317,104)**	**232,242**	**141,496**	**7,907,421**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39. OTHER RESERVES (Continued)

The Group (Continued)

	Share premium	Other comprehensive income	Statutory reserves	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	7,850,787	(317,104)	232,242	141,496	7,907,421
Cash flow hedges	–	40,974	–	–	40,974
Currency translation differences of foreign operations	–	(10,504)	–	–	(10,504)
Changes in fair value of equity investments measured at FVOCI	–	43,716	–	–	43,716
Capital contribution from shareholders	1,265,820	–	–	–	1,265,820
Appropriation to statutory reserves	–	–	16,910	–	16,910
Remeasurement of defined benefit plan	–	2,085	–	–	2,085
Transactions with non-controlling interests	(211)	–	–	–	(211)
Balance at December 31, 2025	**9,116,396**	**(240,833)**	**249,152**	**141,496**	**9,266,211**

The Company

	Share premium	Other comprehensive income	Statutory reserves	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	7,926,381	(345,461)	135,348	26,975	7,743,243
Cash flow hedge reserves	–	(4,539)	–	–	(4,539)
Share-based payment:					
-Share-based compensation expenses	–	–	–	8,882	8,882
Appropriation to statutory reserve	–	–	49,520	–	49,520
Balance at December 31, 2023	**7,926,381**	**(350,000)**	**184,868**	**35,857**	**7,797,106**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39. OTHER RESERVES (Continued)

The Company (Continued)

	Share premium	Other comprehensive income	Statutory reserves	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	7,926,381	(350,000)	184,868	35,857	7,797,106
Share-based payment:					
-Share-based compensation expenses	–	–	–	478	478
-Exercise of share-based payment	26,239	–	–	(26,239)	–
-Deregistration of shares under share schemes	(71,963)	–	–	–	(71,963)
Reclassification of other comprehensive income to retained earnings	–	350,000	–	–	350,000
Appropriation to statutory reserve	–	–	47,374	–	47,374
Balance at December 31, 2024	**7,880,657**	**–**	**232,242**	**10,096**	**8,122,995**

	Share premium	Other comprehensive income	Statutory reserves	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	7,880,657	–	232,242	10,096	8,122,995
Cash flow hedges	–	187	–	–	187
Changes in fair value of equity investments measured at FVOCI	–	12,298	–	–	12,298
Capital contribution from shareholders	1,265,820	–	–	–	1,265,820
Appropriation to statutory reserves	–	–	16,910	–	16,910
Balance at December 31, 2025	**9,146,477**	**12,485**	**249,152**	**10,096**	**9,418,210**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

40. CONTINGENCIES AND COMMITMENTS

40.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2023, 2024 and 2025, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the Historical Financial Information.

40.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment commitments:			
-Contracted, but not provided for	259,478	246,858	2,974,064

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of Profit Before Income Tax to Net Cash Generated from Operations:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax for the year	2,191,088	1,467,711	1,690,416
Adjustments for:			
Interest income	(210,139)	(243,072)	(200,834)
Finance cost	464,863	438,226	443,476
Depreciation and amortization of non-current assets	2,249,416	2,558,676	2,519,385
Net losses on disposal of property, plant and equipment and intangible assets	26,368	243,093	379,287
Net impairment losses on financial assets	39,437	44,110	63,743
Impairment provision for inventories	397,215	454,660	580,656
Impairment on property, plant and equipment	–	394,441	–
Impairment of goodwill	29,243	85,223	107,245
Impairment on other current assets	(1,100)	–	–
Fair value losses/(gains) on financial assets at FVTPL	(1,916)	820	(86,189)
Fair value losses on financial liabilities at FVTPL	11,657	17,078	24,167
Share of profit of associates, net	10,821	398	922
Net gains on disposal and holding of financial instruments	(24,025)	(10,297)	(9,292)
Impairment provision for investments in associates	9,319	–	–
Gains on business combination	(134,813)	–	(470,698)
Net losses on disposal of subsidiaries and associates	–	25,868	5,003
Net foreign exchange (gains)/losses	(129,905)	(294,655)	27,373
Share-based compensation expenses	8,882	478	–
(Increase)/ decrease in receivables	268,251	(445,997)	(3,142,781)
Increase in payables	401,517	706,310	3,540,693
Increase in inventories	(528,190)	(463,400)	(504,497)
Cash generated from operations	**5,077,989**	**4,979,671**	**4,968,075**

(b) Non-Cash Activities

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of inventories and long-term assets by acceptance notes	2,313,979	1,923,542	2,830,841
Additions of right-of-use assets by way of leasing liabilities (Note 20)	593,573	283,196	354,081
	2,907,552	**2,206,738**	**3,184,922**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(c) Debt Reconciliation

	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023	12,158,036	1,671,260	13,829,296
Financing cash flows	169,487	(183,002)	(13,515)
Interest paid	(379,553)	–	(379,553)
Interest accrued	370,434	93,255	463,689
Business combination	–	139,053	139,053
Other non-cash movements	10,995	151,931	162,926
At December 31, 2023	**12,329,399**	**1,872,497**	**14,201,896**
At January 1, 2024	12,329,399	1,872,497	14,201,896
Financing cash flows	93,277	(644,317)	(551,040)
Interest paid	(364,297)	–	(364,297)
Interest accrued	392,560	69,674	462,234
Other non-cash movements	(23,651)	185,507	161,856
At December 31, 2024	**12,427,288**	**1,483,361**	**13,910,649**
At January 1, 2025	12,427,288	1,483,361	13,910,649
Financing cash flows	3,240,856	(267,230)	2,973,626
Interest paid	(320,185)	–	(320,185)
Interest accrued	336,332	111,289	447,621
Business combination	1,681,961	772,682	2,454,643
Other non-cash movements	(20,402)	190,854	170,452
At December 31, 2025	**17,345,850**	**2,290,956**	**19,636,806**

42. BUSINESS COMBINATION

(a) Summary of acquisitions

During the year ended December 31, 2023, the acquisitions of new subsidiaries are summarized as follows:

	Suzhou Display	Aranda	Total
	RMB'000 *(note (i))*	*RMB'000* *(note (ii))*	*RMB'000*
Total consideration transferred			
Cash consideration	1,382,684	289,947	1,672,631
Less: Net fair value of identifiable assets acquired and liabilities assumed	(1,517,497)	(289,947)	(1,807,444)
Goodwill	**(134,813)**	**–**	**(134,813)**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(a) Summary of acquisitions (Continued)

(i) Acquisition of Suzhou Display

As at February 1, 2023, the Group acquired 100.00% equity interests of Suzhou Dongshan Display Inc. ("Suzhou Display") with the consideration of RMB 1,382,684,000. Upon completion of the transactions, Suzhou Display became the subsidiary of the Company. Suzhou Display is mainly engaged in research and development, production and sales of liquid crystal display and semi-conductor products.

Negative goodwill of approximately RMB 134,813,000 was recorded in the consolidated financial statements as a result of the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of the identifiable assets acquired and liabilities assumed with reference to the valuation report prepared by Topsun Assets Evaluation & Consulting Co., Ltd, an independent qualified professional valuer not connected to the Group. The gain on bargain purchase is mainly attributable to the immediate cash realisation and the Group's capability in negotiating the terms of the Acquisition in favour of the Group with the Vendor.

(ii) Acquisition of Aranda

As at February 1, 2023, the Group acquired 100.00% equity interests of Aranda through a capital injection of RMB 289,947,000. Upon completion of the transactions, Aranda became the subsidiary of the Company. Aranda is mainly engaged in research and development, production and sales of welded assemblies, precision component sub-assemblies, and industrial tooling products.

(b) Financial information of acquisitions

The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarized as follows. Valuation was performed by an independent valuer to determine the fair value of the identified assets.

	Suzhou Display	**Aranda**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Fair value of identifiable net assets			
Non-current assets			
Property, plant and equipment	358,540	109,411	467,951
Intangible assets	36,896	187,479	224,375
Right-of-use assets	104,188	126,559	230,747
Deferred income tax assets	13,833	–	13,833
Current assets			
Inventory	338,248	23,865	362,113
Trade receivables	404,451	61,622	466,073
Prepayments and other receivables	55,248	6,161	61,409
Cash and cash equivalents	503,175	8,682	511,857
Other current assets	3,302	65	3,367

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(b) Financial information of acquisitions (Continued)

	Suzhou Display	Aranda	Total
	RMB'000	*RMB'000*	*RMB'000*
Fair value of identifiable net assets			
Non-current liabilities			
Lease liabilities	1,162	126,931	128,093
Deferred income tax liabilities	51,926	43,639	95,565
Deferred income	870	–	870
Provisions	–	4,605	4,605
Current liabilities			
Lease liabilities	–	10,960	10,960
Trade payables	190,671	36,555	227,226
Contract liabilities	–	298	298
Accruals and other payables	55,755	10,909	66,664
Less: Non-controlling interests	–	–	–
Fair value of the net assets acquired	**1,517,497**	**289,947**	**1,807,444**
Cash impact			
Cash paid (i)	1,156,515	219,120	1,375,635
Less: cash and cash equivalents in the subsidiaries acquired	(503,175)	(8,682)	(511,857)
Net cash outflow on acquisitions	**653,340**	**210,438**	**863,778**

(i) As for Suzhou Display, as at December 31, 2023, the Group had paid consideration of RMB 1,156,515,000. The remaining RMB 226,169,000 will be paid by installment pursuant to the acquisition agreement.

(ii) As for Aranda, as at December 31, 2023, the Group had paid consideration of RMB 219,120,000. The remaining RMB 70,827,000 will be paid by installment pursuant to the acquisition agreement.

The amounts of revenue and profit of subsidiaries since the acquisition date were included in the consolidated statement of comprehensive income for the year ended December 31, 2023 are summarized as follows:

	Suzhou Display	Aranda	The Group (Excluding Suzhou Display& Aranda)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	2,514,130	410,622	30,726,453	33,651,205
Net profit / (losses)	129,643	(6,159)	1,841,566	1,965,050

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(b) Financial information of acquisitions (Continued)

If the acquisition had occurred on January 1, 2023, consolidated **[REDACTED]** revenue and net profit/(losses) of the Group for the year ended December 31, 2023 would have been **[REDACTED]** and **[REDACTED]** respectively.

[REDACTED]

(c) Summary of acquisitions

During the year ended December 31, 2025, the acquisitions of new subsidiaries are summarized as follows:

	GMD Group	Source Photonics	Total
	RMB'000 *(note (i))*	*RMB'000* *(note (ii))*	*RMB'000*
Total consideration transferred			
Cash consideration	509,852	4,358,976	4,868,828
Less: Net fair value of identifiable assets acquired and liabilities assumed	(980,550)	(1,533,882)	(2,514,432)
Goodwill	**(470,698)**	**2,825,094**	**2,354,396**

(i) Acquisition of GMD Group

As at October 31, 2025, the Group acquired 100.00% equity interests of GMD Group with the consideration of RMB509,852,000. Upon completion of the transactions, GMD Group became the subsidiary of the Company. GMD Group is mainly engaged in precision metal stamping, sheet metal fabrication, and mechanical assembly for industrial applications.

Negative goodwill of approximately RMB 470,698,000 was recorded in the consolidated financial statements as a result of the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of the identifiable assets acquired and liabilities assumed with reference to the valuation report prepared by Topsun Assets Evaluation & Consulting Co., Ltd, an independent qualified professional valuer not connected to the Group. The gain on bargain purchase is mainly attributable to the immediate cash realisation and the Group's capability in negotiating the terms of the Acquisition in favour of the Group with the Vendor.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(c) Summary of acquisitions (Continued)

(ii) Acquisition of Source Photonics

As at September 30, 2025, the Group acquired 97.48% equity interests of Source Photonics with the consideration of RMB4,358,976,000. Upon completion of the transactions, Source Photonics became the subsidiary of the Company. Source Photonics is mainly engaged in the R&D, production and sales of products such as optical chips, optical components and optical modules.

(d) Financial information of acquisitions

The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarized as follows. Valuation was performed by an independent valuer to determine the fair value of the identified assets.

	GMD Group	Source Photonics	Total
	RMB'000	*RMB'000*	*RMB'000*
Fair value of identifiable net assets			
Non-current assets			
Property, plant and equipment	673,830	956,486	1,630,316
Intangible assets	34,062	585,391	619,453
Trade receivables	259,238	–	259,238
Right-of-use assets	638,309	95,382	733,691
Prepayments and other receivables	–	127,662	127,662
Deferred tax assets	107,642	6,346	113,988
Other non-current assets	11,265	3,147	14,412
Current assets			
Inventory	1,172,976	1,264,850	2,437,826
Trade and notes receivables	1,692,532	1,373,808	3,066,340
Prepayments and other receivables	175,848	74,504	250,352
Financial assets at fair value through profit or loss	–	12,035	12,035
Financial assets at fair value through other comprehensive income	–	4,918	4,918
Cash and cash equivalents	673,896	275,731	949,627
Restricted cash and term deposits	377,643	53,861	431,504
Other current assets	169,527	19,836	189,363
Non-current liabilities			
Lease liabilities	550,071	97,738	647,809
Deferred tax liabilities	86,582	90,212	176,794
Deferred income	95,396	23,643	119,039
Accruals and other payables	149,052	–	149,052
Convertible bonds	–	422,675	422,675
Provisions	174,422	–	174,422
Borrowings	70,475	10,000	80,475
Current liabilities			
Lease liabilities	109,222	15,651	124,873
Trade payables	1,452,584	1,493,303	2,945,887
Contract liabilities	392,906	259	393,165
Borrowings	1,042,868	558,618	1,601,486
Current tax liabilities	55,813	151,931	207,744
Provisions	–	2,776	2,776
Accruals and other payables	826,684	94,993	921,677
Less: Non-controlling interests	143	358,276	358,419
Fair value of the net assets acquired	**980,550**	**1,533,882**	**2,514,432**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(d) Financial information of acquisitions (Continued)

	GMD Group	Source Photonics	Total
	RMB'000	*RMB'000*	*RMB'000*
Cash impact			
Cash paid (i)	509,852	3,823,053	4,332,904
Less: cash and cash equivalents in the subsidiaries acquired	(673,896)	(275,731)	(949,627)
Net cash outflow on acquisitions	**(164,044)**	**3,547,322**	**3,383,277**

(i) As for GMD Group, as at December 31, 2025, the Group had paid consideration of RMB509,852,000.

(ii) As for Source Photonics, as at December 31, 2025, the Group had paid consideration of RMB3,823,053,000. The remaining RMB 535,923,000 will be paid by installment pursuant to the acquisition agreement.

The amounts of revenue and (losses)/profit of subsidiaries since the acquisition date were included in the consolidated statement of comprehensive income for the year ended December 31, 2025 are summarized as follows:

	GMD Group	Source Photonics	The Group (Excluding GMD Group & Source Photonics)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,292,325	1,435,535	37,396,999	40,124,859
Net profit /(losses)	(27,086)	311,831	1,108,222	1,392,967

If the acquisition had occurred on January 1, 2025, consolidated **[REDACTED]** revenue and net profit/(losses) of the Group for the year ended December 31, 2025 would have been **[REDACTED]** and **[REDACTED]** respectively.

[REDACTED]

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

43. DISPOSAL OF SUBSIDIARIES

The transaction of disposal of subsidiaries during the Track Record Period had no significant impact on the Group's consolidated financial statements.

44. RELATED PARTY TRANSACTIONS

(a) Parent Entities

Name	Place of incorporation	Ownership interest As at December, 31 2023	2024	2025
Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen	Suzhou, Jiang Su, PRC	28.28%	28.34%	33.26%

The ultimate controlling parties are Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen.

(b) Names and Relationship with Related Parties

Related parties are those parties that have the ability, directly and indirectly, to control, jointly control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control and common joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended December 31, 2023, 2024 and 2025:

Name of the related parties	Relationship with the Group
Suzhou Toprun Electric Equipment Co., Ltd. (蘇州騰冉電氣設備股份有限公司)	An associate of the Group
SuZhou DongCan Optoelectronic Technology Co., Ltd. (蘇州東燦光電科技有限公司)	An associate of the Group
Shanghai Fu Shan Precision Manufacturing Co., Ltd. (上海復珊精密製造有限公司)	An associate of the Group
MULTEK INTERNATIONAL DEVELOPMENT LIMITED (超毅國際發展有限公司)	An associate of the Group
Anhui Landun Photoelectron Co., Ltd. (安徽藍盾光電子股份有限公司)	An entity controlled by the ultimate controlling shareholders
Shanghai Corkuna New Material Technologies Co., Ltd. (上海科穀納新材料科技有限公司)	An entity controlled by the ultimate controlling shareholders
Suzhou Keguna New Materials Technology Co., Ltd. (蘇州科穀納新材料科技有限公司)	An entity controlled by the ultimate controlling shareholders

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Material Transactions with Related Parties

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. The Group has the following transactions with related parties:

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods:			
Entities controlled by the ultimate controlling shareholders	11,427	17,362	60,779
Associates of the Group	1,153	710	274
	12,580	**18,072**	**61,053**

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods:			
Associates of the Group	305	743	304
Entities controlled by the ultimate controlling shareholders	1,234	–	81
	1,539	**743**	**385**

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Guarantee provided by the ultimate controlling shareholders			
Bank borrowings	**260,000**	**200,000**	**–**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Material Transactions with Related Parties (Continued)

All these guarantees provided by the ultimate controlling shareholders Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen have been released during 2025.

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Guarantee provided by the Company and its subsidiaries			
Associates of the Group	**55,000**	**20,000**	**24,400**

(d) Balance with Related Parties

All the balances with the related parties are trade in natures.

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade nature			
Trade and notes receivables			
Associates of the Group	386	330	495
An entity controlled by the ultimate controlling shareholders	340	–	90
Less: credit loss allowance	(25)	(93)	(155)
	701	**237**	**430**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

44. RELATED PARTY TRANSACTIONS (Continued)

(d) Balance with Related Parties (Continued)

For the year ended December 31, 2023, 2024 and 2025, the amount of net impairment losses recognized/(reversed) in the year in respect of bad and doubtful debts are RMB(158,000), RMB68,000 and RMB62,000, respectively.

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade nature			
Trade and notes payables			
Entities controlled by the ultimate controlling shareholders	7,339	6,763	27,762
Associates of the Group	310	299	230
	7,649	**7,062**	**27,992**

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade nature			
Prepayments			
An associate of the Group	–	–	**14,106**

(e) Key Management Compensation

Compensation of the key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 10(c), was as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	22,628	22,628	23,465
Pension costs, housing fund, medical insurance and other social benefits	907	907	1,052
	23,535	**23,535**	**24,517**

As at December 31, 2023, 2024 and 2025, approximately RMB 4,380,000, RMB 4,699,000 and RMB4,296,000 of payroll payables were included in other payables and accruals.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

45. EVENTS AFTER THE REPORTING PERIOD

Except for the transactions mentioned above, the Group had no significant subsequent events after December 31, 2025, and up to the date of this report.

46. SUMMARY OF OTHER ACCOUNTING POLICIES

(1) Principles of Consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(1) Principles of Consolidation (Continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IFRS 9* or, when applicable, the cost on initial recognition of an investment in an associate.

(2) Investments in Associates

An associate is an entity over which the Group has significant influence but no control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(2) Investments in Associates (Continued)

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

Changes in the Group's interests in associates

When the Group reduces its ownership interests in an associate but the Group continues to use the equity method (including situations that change of ownership interest in an associate due to capital increase of other shareholders to the associate), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

(3) Business Combinations

(i) Business Combination not Under Common Controls

The acquisition method of accounting is used to account for all business combinations (except for the business combinations under common controls), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(3) Business Combinations (Continued)

(i) Business Combination not Under Common Controls (Continued)

incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

(4) Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

(5) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company's functional and the Group's presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(5) Foreign Currencies (Continued)

(iii) Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(6) Property, Plant and Equipment

The Group's accounting policy for buildings and equipment is explained in Note 18(a). Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(6) Property, Plant and Equipment (Continued)

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(7) Impairment of Non-Financial Assets

Goodwill, freehold land and intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(8) Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(9) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(9) Intangible assets (Continued)

(ii) Trademark right and patent right combination

Trademark right and Patent right are initially recognized at fair value and historical costs on the acquisition date. They have a finite useful life and subsequently carried at cost less accumulated amortization and impairment losses.

(iii) Software

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life.

(iv) Customer resources

Customer resources are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

(10) Financial Assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to present subsequent changes in fair value in other comprehensive income.

(ii) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(10) Financial Assets (Continued)

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

- FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other gains/ (losses) in the statement of profit or loss as applicable.

(i) Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flow will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Details, please refer to credit risks in Note 3.2.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(11) Financial Liabilities

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at FVTPL at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortized cost, including trade and note payables, other payables and accruals, borrowings and customer deposit. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognized part of the financial liability and the consideration paid is recognized in profit or loss for the current period.

(12) Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges),
- hedges of a particular risk associated with the cash flows of recognized assets or liabilities or highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items.
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.
- the hedging relationship meets all of the following hedge effectiveness requirements:

  (i) there is an economic relationship between the hedged item and the hedging instrument; and

  (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and

  (iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item. However, that designation shall not

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(12) Derivative Financial Instruments and Hedging Activities (Continued)

reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognized or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, another portion is recognised directly in profit or loss.

If the forecast transaction being hedged is subsequently recognised as a non-financial asset or non-financial liability, or if the forecast transaction for the non-financial asset or non-financial liability results in a firm commitment to apply a fair value hedge, the amount of the cash flow hedging reserve that would otherwise have been recognised in other comprehensive income is reversed out to the amount initially recognised for that asset or liability. The remaining cash flow hedges are reversed out of the cash flow hedge reserve recognised in other comprehensive income to profit or loss in the same period in which the expected cash flows to be hedged affect profit or loss, if a sale is expected to occur.

Derivatives that do not apply hedge accounting

Certain derivative instruments do not apply hedge accounting. Changes in the fair value of such derivative instruments are recognized immediately in profit or loss and are included in other gains/(losses), net.

Accounting policy for fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments of fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged items that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognized in profit or loss within other gains/(losses).

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on the weighted average method. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.2 for a description of the Group's impairment policies.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(15) Share Capital and Capital Reserve

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(16) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(17) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(18) Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(18) Borrowing Costs (Continued)

Other borrowing costs are expensed in the period in which they are incurred.

(19) Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

(20) Employee Benefits

(i) Short-Term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Housing Funds, Medical Insurances and Other Social Insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) 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; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are certain oversea subsidiaries provide supplemental retirement benefits beyond the national regulatory insurance system.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(20) Employee Benefits (Continued)

(v) 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 prescribed bases and percentage 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 recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(21) Share-Based Payments

(i) Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (including shares or share options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

(ii) Share-based payment transactions among group entities

The Company settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in the Company's own equity instruments. Otherwise, the transaction shall be recognized as a cash settled share-based payment transaction. In its separate financial statements, the Company records a debit, recognizing an increase in the investment in subsidiaries as a capital contribution from the parent and a credit to equity as no goods or services are received by the Company. The Company records a debit, recognizing the cash the employee paid when exercising the equity-settled share-based payment along with a decrease in reserves and a credit, recognizing share capital and share premium of the Company.

(iii) Modifications and Cancelations

The Group may modify the terms and conditions on which the share-based compensation plan was granted. If a modification increases the fair value of the equity instruments granted, the incremental fair

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(21) Share-Based Payments (Continued)

(iii) Modifications and Cancelations (Continued)

value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year. A grant of the share-based compensation plan, that is canceled or settled during the vesting year, is treated as an acceleration of vesting. The Group will immediately recognize the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

(22) Dividend Distribution

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

(23) Interest Income

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

(24) Dividend Income

Dividend income is recognized when the right to receive dividend payment is established.

(25) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(25) Earnings Per Share (Continued)

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(26) Government Grant

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(27) Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(27) Current and Deferred Income Tax (Continued)

(ii) Deferred Income Tax (Continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(28) Leases

(i) Definition of a Lease

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) The Group as a Lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

<u>Short-Term Leases and Leases of Low-Value Assets</u>

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies to the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(28) Leases (Continued)

(ii) The Group as a Lessee (Continued)

Right-of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Land leases are also in the scope of IFRS 16. The Group recognizes any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Refundable rental deposits paid are account under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(28) Leases (Continued)

(ii) The Group as a Lessee (Continued)

Lease Liabilities (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

(iii) The Group as a Lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2025, and up to the date of this report.

The following is the text of a report set out on pages [IB-1 to IB-●], received from Source Photonics' reporting accountants, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of Source Photonics and to the joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

PAN-CHINA
天健國際會計師事務所有限公司
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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SOURCE PHOTONICS HOLDINGS (CAYMAN) LIMITED AND UBS SECURITIES HONG KONG LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED, GF CAPITAL (HONG KONG) LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Source Photonics Holdings (Cayman) Limited ("Source Photonics") and its subsidiaries (together, the "Source Photonics Group") set out on pages IB-[●] to IB-[●], which comprises the consolidated statements of financial position of the Source Photonics Group and the statements of financial position of Source as at December 31, 2023, 2024 and September 30, 2025, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2023, 2024 and the nine months ended September 30, 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-[●] to IB-[●] forms an integral part of this report, which has been prepared for inclusion in the document of Suzhou Dongshan Precision Manufacturing Co., Ltd.(the "Company") dated [●] (the "Document") in connection with the initial **[REDACTED]** of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' Responsibility for the Historical Financial Information

The directors of Source Photonics are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Source Photonics and the Source Photonics Group's financial position as at December 31, 2023, 2024 and September 30, 2025, of the Source Photonics Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Source Photonics Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2024 and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of Source Photonics are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the [REDACTED] of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-[●] have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Source Photonics in respect of the Track Record Period.

[Confucius International CPA Limited]
Certified Public Accountants
Hong Kong
[●]

I HISTORICAL FINANCIAL INFORMATION OF THE SOURCE PHOTONICS GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Source Photonics Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended December 31		Nine months ended September 30	
	Notes	**2023**	**2024**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	*6*	1,305,145	2,945,332	1,890,076	3,627,515
Cost of sales	*9*	(1,056,746)	(2,066,249)	(1,400,986)	(2,617,681)
Gross profit		**248,399**	**879,083**	**489,090**	**1,009,834**
General and administrative expenses	*9*	(112,924)	(168,201)	(71,345)	(122,297)
Selling and marketing expenses	*9*	(29,762)	(41,027)	(27,525)	(32,556)
Research and development expenses	*9*	(108,930)	(159,686)	(80,560)	(156,072)
Net impairment losses on financial assets		(891)	(1,284)	(198)	(1,364)
Other income	*7*	20,437	17,168	7,401	14,240
Other gains/(losses), net	*8*	(50,195)	634,848	616,616	(129,571)
Operating profit		**(33,866)**	**1,160,901**	**933,479**	**582,214**
Finance income	*11*	863	710	824	5,469
Finance costs	*11*	(52,948)	(28,389)	(20,002)	(26,888)
Finance costs, net	*11*	(52,085)	(27,679)	(19,178)	(21,419)
Profit/(loss) before income tax		**(85,951)**	**1,133,222**	**914,301**	**560,795**
Income tax expense	*12*	(4,418)	(82,768)	(33,992)	(85,539)
Profit/(loss) for the year/period		**(90,369)**	**1,050,454**	**880,309**	**475,256**
Attributable to:					
- Owners of Source Photonics		(89,231)	1,051,817	880,960	476,205
- Non-controlling interests		(1,138)	(1,363)	(651)	(949)

I HISTORICAL FINANCIAL INFORMATION OF THE SOURCE PHOTONICS GROUP (Continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31		Nine months ended September 30	
		2023	**2024**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit/(loss) for the year/period		**(90,369)**	**1,050,454**	**880,309**	**475,256**
Other comprehensive income/(loss)					
Items that may not be reclassified to profit or loss in subsequent periods, net of tax:					
- Remeasurement of defined benefit plan, net of tax		175	617	(77)	148
- Currency translation differences of foreign operations		(37,340)	(4,577)	(12,367)	6,345
Items that may be reclassified to profit or loss in subsequent periods, net of tax:					
- Currency translation differences of foreign operations		(15,032)	(46,579)	(13,964)	33,654
Other comprehensive income/(loss) for the year/period, net of tax		**(52,197)**	**(50,539)**	**(26,408)**	**40,147**
Attributable to:					
- Owners of Source Photonics		(52,197)	(50,539)	(26,408)	40,147
- Non-controlling interests		–	–	–	–
Total comprehensive income/(loss) for the year/period		**(142,566)**	**999,915**	**853,901**	**515,403**
Attributable to:					
- Owners of Source Photonics		(141,428)	1,001,278	854,552	516,352
- Non-controlling Interests		(1,138)	(1,363)	(651)	(949)

I HISTORICAL FINANCIAL INFORMATION OF THE SOURCE PHOTONICS GROUP (Continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31		As at September 30
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*16*	517,278	700,223	956,486
Right-of-use assets	*17*	118,668	105,224	95,382
Intangible assets	*18*	133,500	145,969	117,685
Deferred tax assets	*20*	37,293	13,002	6,344
Prepayments and other receivables	*22*	52,268	18,539	127,662
Other non-current assets	*23*	2,199	2,961	3,147
Total non-current assets		**861,206**	**985,918**	**1,306,706**
Current assets				
Inventories	*24*	525,622	844,157	1,248,206
Prepayments and other receivables	*22*	33,703	62,136	74,504
Trade receivables	*21*	478,814	873,915	1,373,810
Financial assets at fair value through profit or loss	*25*	81,000	14,020	12,035
Notes receivables at fair value through other comprehensive income	*14*	28,217	6,022	4,918
Restricted cash and term deposits	*26*	50,388	40,344	53,861
Cash and cash equivalents	*26*	213,914	252,047	275,731
Other current assets	23	9,306	22,422	19,837
Total current assets		**1,420,964**	**2,115,063**	**3,062,902**
Total assets		**2,282,170**	**3,100,981**	**4,369,608**
LIABILITIES				
Non-current liabilities				
Borrowings	*27*	11,766	–	10,000
Lease liabilities	*17*	126,323	107,039	97,738
Deferred tax liabilities	*20*	–	5,435	17,559
Convertible bonds	*25*	–	–	422,675
Deferred income	*31*	28,145	25,848	23,643
Total non-current liabilities		**166,234**	**138,322**	**571,615**
Current liabilities				
Borrowings	*27*	581,045	461,575	558,618
Trade payables	*28*	517,025	916,370	1,493,304
Contract liabilities	*6*	117	1,232	259
Lease liabilities	*17*	20,391	20,722	15,651
Current income tax liabilities		5,583	29,577	151,931
Convertible bonds	*25*	321,304	374,483	–
Other financial liabilities at fair value through profit or loss	*25*	2,625,085	–	–
Accruals and other payables	*29*	63,776	173,100	94,993
Provisions	*30*	3,215	2,353	2,776
Total current liabilities		**4,137,541**	**1,979,412**	**2,317,532**
Total liabilities		**4,303,775**	**2,117,734**	**2,889,147**
EQUITY				
Equity attributable to owner of Source Photonics				
Share capital	*32*	65	65	65
Other reserves	*35*	398,801	2,353,199	2,375,157
Accumulated losses	*34*	(2,429,403)	(1,377,586)	(901,381)
		(2,030,537)	975,678	1,473,841
Non-controlling interests		8,932	7,569	6,620
TOTAL EQUITY		**(2,021,605)**	**983,247**	**1,480,461**
TOTAL LIABILITIES AND EQUITY		**2,282,170**	**3,100,981**	**4,369,608**

I HISTORICAL FINANCIAL INFORMATION OF THE SOURCE PHOTONICS GROUP (Continued)

COMPANY'S STATEMENTS OF FINANCIAL POSITION

		As at December 31		As at September 30
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Investments in subsidiaries	*15*	747,883	755,036	755,036
Total non-current assets		**747,883**	**755,036**	**755,036**
Current assets				
Other receivables	*22*	55,268	60,229	60,595
Cash and cash equivalents		–	–	95
Total current assets		**55,268**	**60,229**	**60,690**
Total assets		**803,151**	**815,265**	**815,726**
LIABILITIES				
Current liabilities				
Borrowings	*27*	102,174	–	–
Other financial liabilities at fair value through profit or loss	*25*	2,625,010	–	–
Accruals and other payables	*29*	199,389	305,205	293,130
Total current liabilities		**2,926,573**	**305,205**	**293,130**
Total liabilities		**2,926,573**	**305,205**	**293,130**
EQUITY				
- Share capital	*32*	65	65	65
- Other reserves	*35*	103,098	2,087,878	2,094,223
- Accumulated losses	*34*	(2,226,585)	(1,577,883)	(1,571,692)
TOTAL EQUITY		**(2,123,422)**	**510,060**	**522,596**
TOTAL LIABILITIES AND EQUITY		**803,151**	**815,265**	**815,726**

I HISTORICAL FINANCIAL INFORMATION OF THE SOURCE PHOTONICS GROUP (Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Source Photonics					
	Share capital	Other Reserves	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	**65**	**424,469**	**(2,340,172)**	**(1,915,638)**	**10,070**	**(1,905,568)**
Loss for the year	–	–	(89,231)	(89,231)	(1,138)	(90,369)
Other comprehensive loss	–	(52,197)	–	(52,197)	–	(52,197)
Total comprehensive loss for the year	**–**	**(52,197)**	**(89,231)**	**(141,428)**	**(1,138)**	**(142,566)**
Share-based compensation expenses	–	26,529	–	26,529	–	26,529
Balance at December 31, 2023	**65**	**398,801**	**(2,429,403)**	**(2,030,537)**	**8,932**	**(2,021,605)**
Balance at January 1, 2024	**65**	**398,801**	**(2,429,403)**	**(2,030,537)**	**8,932**	**(2,021,605)**
Profit/(loss) for the year	–	–	1,051,817	1,051,817	(1,363)	1,050,454
Other comprehensive loss	–	(50,539)	–	(50,539)	–	(50,539)
Total comprehensive income/(loss) for the year	**–**	**(50,539)**	**1,051,817**	**1,001,278**	**(1,363)**	**999,915**
Modification of terms in Preferred Shares (Note 25)	–	1,989,251	–	1,989,251	–	1,989,251
Share-based compensation expenses	–	7,153	–	7,153	–	7,153
Deemed contribution (Note 35)	–	8,533	–	8,533	–	8,533
Balance at December 31, 2024	**65**	**2,353,199**	**(1,377,586)**	**975,678**	**7,569**	**983,247**

I HISTORICAL FINANCIAL INFORMATION OF THE SOURCE PHOTONICS GROUP (Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of Source Photonics					
	Share capital	**Other Reserves**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
Balance at January 1, 2024	**65**	**398,801**	**(2,429,403)**	**(2,030,537)**	**8,932**	**(2,021,605)**
Profit/(loss) for the period	–	–	880,960	880,960	(651)	880,309
Other comprehensive loss	–	(26,408)	–	(26,408)	–	(26,408)
Total comprehensive income/(loss) for the period	**–**	**(26,408)**	**880,960**	**854,552**	**(651)**	**853,901**
Modification of terms in Preferred Shares (Note 25)	–	1,989,251	–	1,989,251	–	1,989,251
Share-based compensation expenses	–	7,153	–	7,153	–	7,153
Deemed contribution (Note 35)	–	8,533	–	8,533	–	8,533
Balance at September 30, 2024	**65**	**2,377,330**	**(1,548,443)**	**828,952**	**8,281**	**837,233**
Balance at January 1, 2025	**65**	**2,353,199**	**(1,377,586)**	**975,678**	**7,569**	**983,247**
Profit/(loss) for the period	–	–	476,205	476,205	(949)	475,256
Other comprehensive income	–	40,147	–	40,147	–	40,147
Total comprehensive income/(loss) for the period	**–**	**40,147**	**476,205**	**516,352**	**(949)**	**515,403**
Disposal of subsidiaries under common control (Note 38)	–	(18,189)	–	(18,189)	–	(18,189)
Balance at September 30, 2025	**65**	**2,375,157**	**(901,381)**	**1,473,841**	**6,620**	**1,480,461**

I HISTORICAL FINANCIAL INFORMATION OF THE SOURCE PHOTONICS GROUP (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31		Nine months ended September 30	
	Notes	**2023**	**2024**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from operating activities					
Cash generated from operations	*37(a)*	90,731	351,786	200,756	470,441
Interest received		863	710	1,445	5,469
Income tax paid		(13,810)	(33,660)	(12,478)	(66,756)
Net cash generated from operating activities		**77,784**	**318,836**	**189,723**	**409,154**
Cash flows from investing activities					
Withdraw of wealth management products		–	290,500	276,000	40,000
Proceeds from investment income		–	608	512	84
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		2,953	–	–	–
Government grant received in relation to assets		15,440	–	–	–
Proceeds from wealth management products interests		1,505	1,706	787	1,191
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(125,233)	(264,690)	(177,981)	(400,387)
Placement of wealth management products		(81,000)	(223,500)	(209,500)	(38,000)
Net outflow of cash resulting from the disposal of subsidiaries		–	–	–	(3,076)
Net cash used in investing activities		**(186,335)**	**(195,376)**	**(110,182)**	**(400,188)**

I HISTORICAL FINANCIAL INFORMATION OF THE SOURCE PHOTONICS GROUP (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Notes	Year ended December 31		Nine months ended September 30	
		2023	2024	2024	2025
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from financing activities					
Proceeds from issuance of convertible bonds		356,068	177,563	177,563	360,000
Payments for repurchase of convertible bonds		(35,459)	(142,246)	(142,246)	(357,746)
Proceeds from borrowings		998,020	714,457	481,116	797,238
Repayments of borrowings		(1,037,623)	(833,071)	(642,196)	(687,466)
Principal elements of lease payments		(20,419)	(20,763)	(15,132)	(13,995)
Interests paid		(42,629)	(26,665)	(23,219)	(53,982)
Movements of restricted cash		(22,943)	19,146	19,057	(202)
Net cash generated from/(used in) financing activities		**195,015**	**(111,579)**	**(145,057)**	**43,847**
Net increase/(decrease) in cash and cash equivalents		**86,464**	**11,881**	**(65,516)**	**52,813**
Cash and cash equivalents at beginning of the year		186,812	213,914	213,914	252,047
Effects of exchange rate changes on cash and cash equivalents		(59,362)	26,252	(6,747)	(29,129)
Cash and cash equivalents at the end of the year/period	*26*	**213,914**	**252,047**	**141,651**	**275,731**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Source Photonics Holdings (Cayman) Limited ("Source Photonics") was incorporated in the Cayman Islands on November 7, 2010 as an exempted company with limited liability. The address of Source Photonics' registered office is Offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Source Photonics' is an investment holding company and its subsidiaries are principally engaged in the R&D, production and sales of products such as optical chips, optical components and optical modules.

Source Photonics' subsidiaries during the Track Record Period are set out in Note 15.

The Historical Financial Information are presented in Renminbi ("RMB"), and all values are rounded to the nearest thousands (RMB'000) except when otherwise indicated.

The statutory consolidated financial statements of the Source Photonics Group for the years ended December 31, 2023, 2024 and nine months ended September 30, 2025 prepared in accordance with the relevant accounting principles in the PRC were audited by Grant Thornton (Special General Partnership) (致同會計師事務所(特殊普通合夥)) and Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)), respectively, both of which was the certified public accountants registered in the PRC.

2. BASIS OF PREPARATION

The Historical Financial Information of the Source Photonics Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss ("FVTPL") and financial assets measured at other comprehensive income ("FVOCI").

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Source Photonics Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Source Photonics Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 41 to this Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION (Continued)

2.1 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Source Photonics Group during the Track Record Period are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined
Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'	January 1, 2026
Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
IFRS18 'Presentation and Disclosure in Financial Statements'	January 1, 2027
IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	January 1, 2027
IFRS 21 Translation to a Hyper inflationary Presentation Currency	January 1, 2027

Except for the impact of IFRS18 mentioned below, other new/amended standards are either not relevant to the Source Photonics Group or not expected to have a material impact on the Source Photonics Group's consolidated financial statements when they become effective.

IFRS18 Presentation and Disclosure in Financial Statements

IFRS18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 "Presentation of Financial Statements". This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments: Disclosures". Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS18 will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS18 is not expected to have significant impact on the Source Photonics Group's financial position and performance, but may affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

3. FINANCIAL RISK MANAGEMENT

The Source Photonics Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Source Photonics Group's

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

overall risk management seeks a balance between risk and return, minimizes the adverse impact of risk on the Source Photonics Group's finance performance and maximizes the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Source Photonics Group's risk management is to identify and analyze the various risks faced by the Source Photonics Group, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range.

3.1 Market Risk

(a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of Source Photonics and its subsidiaries. The Source Photonics Group manages its foreign exchange risk by performing regular reviews of the Source Photonics Group's net foreign exchange exposures and tries to minimize these exposures through buying and selling foreign currencies at market rate, wherever possible.

As at December 31, 2023, 2024 and September 30, 2025, the Source Photonics Group's major financial assets/liabilities exposed to foreign exchange risk, representing those financial assets/liabilities denominated in United States dollar ("USD") and included in a Source Photonics Group entity with different functional currency:

	As at December 31		As at September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Financial assets denominated in:				
USD	63,839	110,932	97,167	131,108
Others	323	729	615	470

	As at December 31		As at September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Financial liabilities denominated in:				
USD	205,047	181,063	184,693	249,603
Others	174	504	440	9

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market Risk (Continued)

(a) Foreign Exchange Risk (Continued)

As shown in the table above, the Source Photonics Group is primarily exposed to changes in USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments is as below:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
USD exchange rate -				
Increase 5%	(7,060)	(3,507)	(4,376)	(5,925)
Decrease 5%	7,060	3,507	4,376	5,925

Other foreign currencies of changes have no significant impact on foreign exchange risk.

(b) Interest Rate Risk

The Source Photonics Group's interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at floating rates expose the Source Photonics Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Source Photonics Group to fair value interest rate risk. The Source Photonics Group determines the proportion of borrowings issued at floating rates and fixed rates based on the market environment and maintains an appropriate combination of financial instruments through regular review and monitoring.

As at December 31, 2023, 2024 and September 30, 2025, total borrowings of the Source Photonics Group which were bearing at floating rates amounted to approximately RMB 165,025,000, RMB 10,000,000 and nil, respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximately RMB 825,000, RMB 50,000 and nil for the years ended December 31, 2023, 2024 and nine months ended September 30, 2025, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings and bank balances carried at fixed rates is not significant for the Source Photonics Group.

3.2 Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables, other receivables and FVOCI. The carrying amount of each class of the above financial assets represents the Source Photonics Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(a) Risk Management

To manage this risk, cash and cash equivalents as well as restricted cash and term deposits are mainly placed with reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade and notes receivables as well as other receivables and FVOCI, the Source Photonics Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

(b) Impairment of Financial Assets

The Source Photonics Group has four types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents, restricted cash and term deposits;
- Trade receivables;
- Notes Receivables at FVOCI, and
- Other receivables.

Credit risk of cash and cash equivalents and restricted cash and term deposits

Cash and cash equivalents and restricted cash and term deposits are mainly placed with high-credit rating financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss was immaterial as at December 31, 2023, 2024 and September 30, 2025.

Credit risk of trade receivables

(i) Trade receivables

The Source Photonics Group applies the IFRS 9 simplified approach to measure expected credit loss ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and aging.

The Source Photonics Group also made individual assessment on the recoverability of its trade receivables for certain customers based on historical settlement records.

The historical loss rates are calculated based on the historical payment profiles of customers and the corresponding historical incurred credit losses. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables. The Source Photonics Group has identified the Gross Domestic Product ("GDP") of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Source Photonics Group and other indicators of severe financial difficulties.

Trade Receivables

On that basis, the loss allowance as at December 31, 2023, 2024 and September 30, 2025 were determined as follows for trade receivables:

As at December 31, 2023, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	1,367	100.00%	1,367	Financial difficulty

As at December 31, 2024, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	1,380	100.00%	1,380	Financial difficulty

As at September 30, 2025, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	1,369	100.00%	1,369	Financial difficulty

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

As at December 31, 2023, 2024 and September 30, 2025, the loss allowance of grouped impaired trade receivables are determined as follows:

Assessed based on grouping:

	Within 1 year	1 to 2 years	Over 2 years	Total
As at December 31, 2023				
Expected loss rate	0.22%	38.55%	100.00%	
Gross carrying amount (RMB'000)	479,737	249	31	480,017
Loss allowance provision (RMB'000)	1,076	96	31	1,203
As at December 31, 2024				
Expected loss rate	0.08%	55.27%	100.00%	
Gross carrying amount (RMB'000)	873,220	3,105	–	876,325
Loss allowance provision (RMB'000)	694	1,716	–	2,410
As at September 30, 2025				
Expected loss rate	0.19%	23.68%	100.00%	
Gross carrying amount (RMB'000)	1,373,013	4,543	8	1,377,564
Loss allowance provision (RMB'000)	2,670	1,076	8	3,754

The management of the Source Photonics Group determined the ECL rates for portfolio of trade receivables with reference to past-due status of such balances by estimating their default rates taking into account the historical information and forward-looking information.

As at the end of each Track Record Period, the Source Photonics Group assessed the historical observed default rates and the forward-looking estimates, respectively. The management of the Source Photonics Group reviewed the portfolio of customers contributing the trade receivables balances for the respective past-due time band throughout the Track Record Period and noted that the majority of the balances of the respective past-due time band were due from similar portfolio of customers. Furthermore, the Source Photonics Group assessed these customers' financial condition, past settlement history, business relationship with the Source Photonics Group and other factors such as current market conditions and industry information, and considered that the credit risk for the same portfolio of customers remains approximately the same throughout the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

The loss allowances for trade receivables for the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 reconcile to the opening loss allowances are as follows:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Opening loss allowance	1,707	2,570	2,570	3,790
Loss allowance recognized, net	845	1,272	183	1,360
Currency translation differences	18	(52)	(38)	(27)
Closing loss allowance	**2,570**	**3,790**	**2,715**	**5,123**

(ii) Notes Receivables at FVOCI

The Source Photonics Group measured provisions for impairment of notes receivables based on the lifetime ECL and assessed that there was no significant credit risk associated with its bank acceptance notes issued by large-sized banks as the Source Photonics Group did not expect that there would be any significant losses from non-performance by these reputable banks.

(iii) Other Receivables

Other receivables at the end of each of the periods are mainly comprised of deposits, export tax refund and others. The Source Photonics Group considers the probability of default upon initial recognition of the assets and whether there has been significant increase in credit risk on an ongoing basis throughout Track Record Period. To assess whether there is a significant increase in credit risk, the Source Photonics Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant impact on the debtor's ability to meet its obligations;
- external credit rating of the counterparty;
- actual or expected significant adverse changes in the operating results of the debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making a contractual payment.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(iii) Other Receivables (Continued)

If the credit risk of the asset is in line with original expectations, the Source Photonics Group categorizes the asset as performing and recognizes 12 months expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognized (Stages 2 and 3):

Set out below is the information about credit risk exposure on the Source Photonics Group's other receivables:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023				
Expected loss rate	0.22%	–	100.00%	
Gross carrying amount	23,563	–	142	23,705
Loss allowance	52	–	142	194
As at December 31, 2024				
Expected loss rate	0.04%	–	100.00%	
Gross carrying amount	39,832	–	192	40,024
Loss allowance	15	–	192	207
As at September 30, 2025				
Expected loss rate	0.39%	–	–	
Gross carrying amount	53,358	–	–	53,358
Loss allowance	210	–	–	210

The loss allowances for other receivables for the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 reconcile to the opening loss allowances are as follows:

	Year ended December 31		**Nine months ended September 30**	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Opening loss allowance	147	194	194	207
Loss allowance recognized, net	46	12	15	4
Currency translation differences	1	1	(1)	(1)
Closing loss allowance	**194**	**207**	**208**	**210**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity Risk

The Source Photonics Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Source Photonics Group is to regularly monitor the Source Photonics Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet the Source Photonics Group's liquidity requirements.

The tables below analyze the Source Photonics Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due for the corresponding period equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023						
Trade payables	517,025	–	–	–	517,025	517,025
Accruals and other payables (excluding non-financial liabilities)	11,911	–	–	–	11,911	11,911
Lease liabilities	26,514	26,198	55,071	70,525	178,308	146,714
Other financial liabilities at fair value through profit or loss (FVTPL)	2,625,085	–	–	–	2,625,085	2,625,085
Convertible bonds	327,107	–	–	–	327,107	321,304
Borrowings	590,336	11,288	–	–	601,624	592,811
	4,097,978	**37,486**	**55,071**	**70,525**	**4,261,060**	**4,214,850**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity Risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2024						
Trade payables	916,370	–	–	–	916,370	916,370
Accruals and other payables (excluding non-financial liabilities)	14,011	–	–	–	14,011	14,011
Lease liabilities	26,471	20,389	53,303	53,276	153,439	127,761
Convertible bonds	387,953	–	–	–	387,953	374,483
Borrowings	469,381	–	–	–	469,381	461,575
	1,814,186	**20,389**	**53,303**	**53,276**	**1,941,154**	**1,894,200**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at September 30, 2025						
Trade payables	1,493,304	–	–	–	1,493,304	1,493,304
Accruals and other payables (excluding non-financial liabilities)	15,848	–	–	–	15,848	15,848
Lease liabilities	21,063	18,534	60,660	34,896	135,153	113,389
Convertible bonds	21,600	361,800	–	–	383,400	422,675
Borrowings	568,846	10,027	–	–	578,873	568,618
	2,120,661	**390,361**	**60,660**	**34,896**	**2,606,578**	**2,613,834**

The interest rate of borrowings and lease liabilities are disclosed in Note 27 and Note 17, respectively.

3.4 Capital Management

The primary objectives of the Source Photonics Group's capital management are to safeguard the Source Photonics Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Source Photonics Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Source Photonics Group may issue new shares, sell assets to reduce debt or raise additional funding from shareholders or banks as and when necessary. The Source Photonics Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Capital Management (Continued)

The Source Photonics Group monitors capital on the basis of the debt to asset ratio as at December 31, 2023, 2024 and September 30, 2025 are as follows:

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	2,282,170	3,100,981	4,369,608
Total liabilities	4,303,775	2,117,734	2,889,147
Debt to asset ratio	188.58%	68.29%	66.12%

3.5 Fair Value Estimation

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments

This note provides information on how the Source Photonics Group determines the fair values of various financial assets and liabilities.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Source Photonics Group

As at December 31, 2023

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Wealth management products	–	81,000	–	81,000
Financial assets at fair value through other comprehensive income (FVOCI)				
- Notes receivables at FVOCI	–	–	28,217	28,217
Total financial assets	**–**	**81,000**	**28,217**	**109,217**
Financial liabilities				
- Derivative financial liabilities	–	75	–	75
- Convertible bonds	–	–	321,304	321,304
- Preferred shares	–	–	2,625,010	2,625,010
Total financial liabilities	**–**	**75**	**2,946,314**	**2,946,389**

As at December 31, 2024

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Wealth management products	–	14,020	–	14,020
Financial assets at fair value through other comprehensive income (FVOCI)				
- Notes receivables at FVOCI	–	–	6,022	6,022
Total financial assets	**–**	**14,020**	**6,022**	**20,042**
Financial liabilities				
- Convertible bonds	–	–	374,483	374,483
Total financial liabilities	**–**	**–**	**374,483**	**374,483**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

As at September 30, 2025

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Wealth management products	–	12,035	–	12,035
Financial assets at fair value through other comprehensive income (FVOCI)				
- Notes receivables at FVOCI	–	–	4,918	4,918
Total financial assets	**–**	**12,035**	**4,918**	**16,953**
Financial liabilities				
- Convertible bonds	–	–	422,675	422,675
Total financial liabilities	**–**	**–**	**422,675**	**422,675**

(i) The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the Track Record Period, there was no transfer between Level 1 and Level 2.

(b) The Source Photonics Group's Valuation Process

For the financial assets and financial liabilities, including level 3 fair values, the Source Photonics Group's finance department performs the valuations for financial reporting purpose. The finance department reports the valuation results to the management.

(c) Transfers between levels in the hierarchy

For the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025, there were no transfers into or out of Level 3 fair value measurements of the Source Photonics Group's financial instruments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(d) The reconciliation of Level 3 assets and liabilities are analyzed below

	Financial assets at FVOCI – Notes receivables			
	Year ended December 31		Nine months ended September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Opening balance	25,259	28,217	28,217	6,022
Additions/(disposals):				
Notes receivables at FVOCI	2,958	(22,195)	(28,012)	(1,104)
Closing balance	**28,217**	**6,022**	**205**	**4,918**

	Financial liabilities at FVTPL - Convertible bonds			
	Year ended December 31		Nine months ended September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Opening balance	–	321,304	321,304	374,483
Issuance of convertible bond	356,068	177,563	177,563	360,000
Settlement of convertible bond	(35,459)	(142,246)	(142,246)	(385,499)
Changes in fair value through profit or loss：	695	17,862	12,489	73,691
Closing balance	**321,304**	**374,483**	**369,110**	**422,675**

	Financial liabilities at FVTPL- Preferred shares			
	Year ended December 31		Nine months ended September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Opening balance	2,513,748	2,625,010	2,625,010	–
Issuance of Series A, Series B and Series C preferred shares (Note 25)	3	–	–	–
Modification of terms in Preferred Shares (Note 25)	–	(1,989,251)	(1,989,251)	–
Changes in fair value through profit or loss/Gain on modification of terms in Preferred Shares	68,283	(648,126)	(648,126)	–
Foreign currency translation differences	42,976	12,367	12,367	–
Closing balance	**2,625,010**	**–**	**–**	**–**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value

Description	Fair value			Valuation techniques	Significant unobservable Input(s)	Ranges of inputs			Relation of unobservable input(s) to fair values
	As at December 31		As at September 30						
	2023	2024	2025			2023	2024	2025	
	RMB'000	*RMB'000*	*RMB'000*						
Notes receivables at FVOCI	28,217	6,022	4,918	Discounted cash flow method	Discount rate	3.40%-5.61%	3.50%-3.70%	0.41%-2.50%	An increase in discount rate would result in decrease in fair value, and vice versa.
Convertible Bond	321,304	374,483	422,675	Discounted cash flow method	Discount rate	5.80%	4.76%	3.00%	An increase in discount rate would result in decrease in fair value, and vice versa.
Other financial liabilities at fair value through profit or loss-Preferred Shares	2,625,010	N/A	N/A	Discounted cash flow method	Discount rate	11.80%	N/A	N/A	An increase in discount rate would result in decrease in fair value, and vice versa.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value (Continued)

Other than described above, there were no significant unobservable inputs that materially affect its fair values.

Sensitivity analysis is performed by the management to assess the exposure of the Source Photonics Group's financial results to fair value changes of Convertible Bond and FVOCI at the end of each Track Record Period.

If the discount rate of the Note receivable at FVOCI held by Source Photonics Group had been 0.5% higher/lower, the fair values of the Note receivable at FVOCI held by the Source Photonics Group as at December 31, 2023, 2024 and September 30, 2025 would have been approximately RMB73,000, RMB23,000 and RMB7,000 lower, or RMB74,000, RMB24,000 and RMB7,000 higher respectively.

If the discount rate of the Convertible Bond at FVTPL had been 0.5% higher/lower, the fair values of the Convertible Bond at FVTPL as at December 31, 2023, 2024 and September 30, 2025 would have been approximately RMB1,705,000, RMB428,000 and RMB1,978,000 lower, or RMB 1,723,000, RMB430,000 and RMB1,998,000 higher respectively.

If the discount rate of the Financial liabilities at FVTPL had been 0.5% higher/lower, the fair values of the Preferred shares at FVTPL as at December 31, 2023, 2024 and September 30, 2025 would have been approximately RMB1,219,000, nil and nil lower or RMB6,028,000, nil and nil higher respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Source Photonics 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.

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

(a) Allowance for Expected Credit Loss of Receivables

Except for certain trade receivables from customers with specific credit risk that management adopts an individual impairment assessment approach, the Source Photonics Group uses a provision matrix to calculate ECLs for trade receivables. The loss allowances for receivables are based on assumptions about risk of default and expected loss rates to determine the expected loss. The Source Photonics Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

The Source Photonics Group takes into account different macroeconomic scenarios in considering forward-looking information in Chinese mainland and abroad. The Source Photonics Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. The Source Photonics Group has identified the Gross Domestic Product ("GDP") of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated Net Realizable Value of Inventories

In accordance with the Source Photonics Group's accounting policy, the Source Photonics Group estimates net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for executed sales contracts, management estimates the net realizable amount based on the contracted price. For raw materials and work-in-progress, management has established a model in estimating the net realizable amount at which the inventories can be realizable in the normal course of business after considering the manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

It is reasonably possible that if there is a significant change in circumstances including the Source Photonics Group's business and the external environment, outcomes would be significantly affected.

(c) Property, Plant and Equipment and Intangible Assets – Estimated Useful Lives and Residual Values

The Source Photonics Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

(d) Income Tax and Deferred Taxation

Estimation and judgement are required in determining the amount of the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact on the income tax and deferred taxation provisions in the period in which such determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Source Photonics Group's results or financial position.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. OPERATING SEGMENT INFORMATION

Description of Segments and Principal Activities

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The executive directors assess the financial performance and position of the Source Photonics Group and make strategic decisions. The executive directors, which has been identified as being the CODM, consists of the executive director, the chief financial officer and the managers for each business unit. The CODM reviews the Source Photonics Group's internal reporting in order to assess performance, allocate resources, and determine the operating segment based on these reports.

For management purposes, the Source Photonics Group operates as a single business unit organised by products, with one operating segment that principally engages in the provision of optical module-related products.

Geographical Information

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets (exclude financial investments (other than equity-accounted investees), deferred tax assets)			
-Chinese mainland	454,331	596,927	894,191
-Overseas	367,516	375,989	406,171
	821,847	**972,916**	**1,300,362**

6. REVENUE

(a) Disaggregation of revenue by the products' application

	Year ended December 31				Nine months ended September 30			
	2023		2024		2024		2025	
	Revenue	Cost	Revenue	Cost	Revenue	Cost	Revenue	Cost
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000*	*RMB'000*
Telecom	826,037	663,585	971,225	743,653	673,315	534,672	599,577	491,864
Data centers	460,061	389,792	1,940,435	1,310,712	1,194,932	858,404	3,007,239	2,116,332
Others (i)	19,047	3,369	33,672	11,884	21,829	7,910	20,699	9,485
	1,305,145	**1,056,746**	**2,945,332**	**2,066,249**	**1,890,076**	**1,400,986**	**3,627,515**	**2,617,681**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE (Continued)

(a) Disaggregation of revenue by the products' application (Continued)

(i) Others mainly consist of income from the sale of materials.

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Recognized at a point in time	**1,305,145**	**2,945,332**	**1,890,076**	**3,627,515**

The major customers which contributed more than 10% of total revenue of the Source Photonics Group for the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 are listed as below:

	Year ended December 31				Nine months ended September 30			
	2023		**2024**		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%* *(Unaudited)*	*RMB'000*	*%*
Customer A	–	–	–	–	–	–	–	–
Customer B	139,786	10.71	–	–	–	–	–	–
Customer C	–	–	431,615	14.65	261,255	13.82	1,072,176	29.56
Customer D	–	–	317,007	10.76	218,156	11.54	–	–

(b) Geographical Information

Source Photonics is domiciled in Chinese mainland. The amount of the Source Photonics Group's revenue from contracts with customers by location is shown in the table below:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Chinese mainland	505,583	985,992	716,495	1,228,207
Overseas	799,562	1,959,340	1,173,581	2,399,308
	1,305,145	2,945,332	1,890,076	3,627,515

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE (Continued)

(c) Contract Liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfillment of performance obligations.

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	117	1,232	259

As at January 1, 2023, the Source Photonics Group's contract liabilities from customers amounted to approximately RMB 217,000.

The following table shows how much of the revenue, which was included in the contract liabilities at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31		Nine months ended September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the beginning balance	154	87	1,232

Management expects that approximately RMB259,000 of the unsatisfied obligation as at September 30, 2025 will be recognized as revenue during the next year.

(d) Accounting Policies and Significant Judgements for Revenue Recognition

The Source Photonics Group recognizes revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Source Photonics Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If a customer pays consideration or Source Photonics has a right to an amount of consideration that is unconditional, before Source Photonics transfers goods or services to the customer, Source Photonics

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE (Continued)

(d) Accounting Policies and Significant Judgements for Revenue Recognition (Continued)

presents the contract liability when the payment is made. A contract liability is Source Photonics' obligation to transfer goods or services to a customer for which Source Photonics has received consideration (or an amount of consideration is due) from the customer.

The Source Photonics Group generally offers assurance-type warranties to customers and such warranties are not considered a distinct performance obligation to customers. The Source Photonics Group accounts for the warranty in accordance with IAS 37 and the estimated warranty cost was not material for the Track Record Period (Note 30).

The credit period granted to customers by the Source Photonics Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component.

Products revenue

The Source Photonics Group primarily engaged in production and sales of optical transceiver components, optical devices, modules, and chips used in data centers, optical transmission, wireless networks, and access networks.

Revenue from domestic product sales under the VMI (Vendor-Managed Inventory) model, is recognized at a point in time when the customer actually picks up and uses the goods, because it is only at this point that the customer obtains the ability to direct the use of the goods (such as the right to sell, process or otherwise dispose of the goods at its own discretion) and assumes the significant risks and rewards of ownership of the goods, including the risks of price fluctuations, obsolescence, damage or loss of the relevant goods.

Revenue from domestic product sales (excluding the VMI model) is recognized at a point in time when the Source Photonics Group has delivered the products to the location specified in the sales contract, the buyer has confirmed acceptance of the products, and both parties have signed the delivery order. Upon such acceptance, the customer gains the right to sell the products at its discretion and assumes the risks associated with the products, including price fluctuations, obsolescence, and loss.

Revenue from overseas sales of products is recognized at a point in time when control of the goods transfers to the customer. The specific point of revenue recognition for overseas sales varies based on the Incoterms agreed in the sales contract, with each term dictating the stage at which control, along with associated risks and rewards, transfer to the customer, as detailed below:

- For EXW (Ex Works) terms: revenue is recognized when the goods are made available to the customer at Source Photonics' premises. At this stage, the customer obtains unconditional access to the goods, gains the ability to direct their use (e.g., arrange transportation, resell, or process the goods at its own discretion), and assumes all significant risks and rewards of ownership—including risks of damage, loss, or price fluctuations of the goods from Source Photonics' premises onwards.

- For FOB (Free on Board), CIF (Cost, Insurance and Freight), and FCA (Free Carrier) terms: revenue is recognized at a point in time once Source Photonics has completed customs declaration formalities for export and obtained the bill of lading. This stage is deemed the transfer of control because, upon customs clearance and shipment, the customer obtains the right to take title to the

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE (Continued)

(d) Accounting Policies and Significant Judgements for Revenue Recognition (Continued)

goods (evidenced by documents such as the bill of lading), gains the ability to direct the subsequent transportation and disposal of the goods, and bears significant risks and rewards—including risks of loss during transit, price fluctuations, and obsolescence of the goods.

- For DAP (Delivered at Place) and DDP (Delivered Duty Paid) terms: revenue is recognized at a point in time when the customer has received and signed for the goods at the named destination specified in the contract. At this point, the customer has fully taken possession of the goods, obtained the ability to direct their use (e.g., resell, store, or process) and obtain substantially all of the remaining economic benefits from the goods, while also assuming all significant risks and rewards incidental to ownership.

7. OTHER INCOME

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Government grants	18,726	15,383	6,534	12,962
Others	1,711	1,785	867	1,278
	20,437	**17,168**	**7,401**	**14,240**

8. OTHER GAINS/(LOSSES), NET

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net foreign exchange gains/(losses)	18,791	20,603	(11,841)	(9,903)
Fair value changes on financial liabilities at FVTPL	(70,112)	(21,032)	(15,650)	(73,691)
Fair value changes on financial assets at FVTPL	1,420	20	–	35
Gain on modification of terms in Preferred Shares	–	648,126	648,126	–
Net losses on disposal of property, plant and equipment and other long-term assets	(432)	(10,757)	(4,857)	(4,552)
Gains from financial assets at FVTPL during holding period	194	610	154	84
Compensation expense in connection with convertible bond	–	–	–	(41,558)
Other items	(56)	(2,722)	684	14
	(50,195)	**634,848**	**616,616**	**(129,571)**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. EXPENSE BY NATURE

Expenses included in cost of revenue, general and administrative expenses, selling and marketing expenses and research and development expenses are analyzed as follows:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Raw materials and consumables used	784,311	1,743,414	1,136,425	2,212,107
Employee benefits expenses	301,379	434,138	262,568	410,149
Depreciation and amortization	106,294	115,127	79,407	119,377
Utility costs	22,344	30,072	17,350	28,286
Inventory impairment	7,861	16,618	7,339	22,798
Transportation costs	6,506	18,554	11,310	25,673
Maintenance expenses	6,013	10,620	6,862	16,763
Agency expenses	23,876	7,354	6,842	12,597
Auditor's services	814	814	814	814
Other expenses (i)	48,964	58,452	51,499	80,042
	1,308,362	**2,435,163**	**1,580,416**	**2,928,606**

(i) Other expenses primarily include taxes and surcharges, short-term rental fees, bank service fees, office administrative expenses and traveling expenses,etc.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION)

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, wages and bonuses	217,330	346,148	212,104	348,544
Share-based compensation expenses	26,529	7,153	7,153	–
Housing fund, medical insurance and other social insurance	28,114	43,439	22,450	32,057
Pension costs	22,312	31,000	15,603	22,421
Other employee benefits	7,094	6,398	5,258	7,127
	301,379	**434,138**	**262,568**	**410,149**

(i) The Source Photonics Group is required to make contributions for its employees in the PRC to the state-sponsored retirement plan at a certain rate based on the qualified salaries of the individual employees. The PRC government is responsible for the pension liability of the retired employees.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

11. FINANCE COSTS, NET

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Finance income:				
Interest income	863	710	824	5,469
Finance costs:				
Interest expenses on lease liabilities	(4,836)	(4,821)	(4,073)	(4,472)
Interest expenses on borrowings	(41,924)	(20,411)	(14,719)	(22,112)
Net exchange losses on foreign currency borrowings	(6,188)	(3,157)	(1,210)	(304)
Finance costs total	**(52,948)**	**(28,389)**	**(20,002)**	**(26,888)**
Finance costs, net	**(52,085)**	**(27,679)**	**(19,178)**	**(21,419)**

12. INCOME TAX EXPENSE

The income tax expense of the Source Photonics Group during the Track Record Period are analyzed as follows:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current income tax on profits for the year/period	5,519	53,042	15,846	66,786
Deferred income tax	(1,101)	29,726	18,146	18,753
	4,418	**82,768**	**33,992**	**85,539**

The Source Photonics Group is subject to income tax on an entity basis on profits arising in or derived from the different jurisdictions in which members of the Source Photonics Group are domiciled and operate.

(a) PRC Corporate Income Tax

In accordance with the relevant regulations of the Enterprise Income Tax laws (the "EIT Law") of the PRC, the applicable statutory tax rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

During the Track Record Period, certain subsidiaries of the Source Photonics Group have obtained High and New Technology Enterprises certification ("HNTE") and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12. INCOME TAX EXPENSE (Continued)

(b) Taiwan Corporate Income Tax

The profit tax for profit-seeking enterprises in Taiwan is calculated based on the estimated assessable profits, with an applicable tax rate of 20%.

(c) Macao Corporate Income Tax

The profit tax for profit-seeking enterprises in the Macao region is calculated based on the estimated assessable profits, with an applicable tax rate of 12%.

(d) U.S. Corporate Income Tax

The corporate income tax (with the nature of profit tax) in the United States adopts a hierarchical taxation model of federal and state levels. The federal tax rate is 21%, and the state tax rate is 8.84%. If a company incurs a loss in the current year, it only needs to pay a state tax of $800.

(e) OECD Pillar Two Model Rules

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules" were issued on May 23, 2023 which are effective upon issuance and require retrospective application. The amendments provide a temporary exception from deferred tax accounting for the income tax arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development ("OECD").

The Source Photonics Group is within the scope of global minimum tax ("GMT") under the OECD Pillar Two model rules ("Pillar Two"). Subject to tax legislation enacting Pillar Two being passed in the jurisdictions where Source Photonics and its subsidiaries operate, the Source Photonics Group is liable to pay a top-up tax for any deficiency between the minimum tax rate of 15% and the effective tax rate per respective jurisdiction. The Source Photonics Group applies the IAS 12 exception to recognition and disclosure information about deferred tax assets and liabilities relating to Pillar Two income taxes.

For those jurisdictions where the Pillar Two legislation was enacted but not effective at the reporting date, the Source Photonics Group has no related current tax exposure. However, certain subsidiaries of Source Photonics are located in jurisdictions where Pillar Two legislation was effective, and the Source Photonics Group's assessment indicates that there is no material related current tax exposure in these jurisdictions during Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12. INCOME TAX EXPENSE (Continued)

The income tax on the Source Photonics Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to profits of the subsidiaries as follows:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit/(loss) before income tax	**(85,951)**	**1,133,222**	**914,301**	**560,795**
Calculated at the PRC taxation rate of Source Photonics (25%)	(21,487)	283,306	228,575	140,199
Effect of different tax rates applicable to subsidiaries (i)	27,939	(203,847)	(186,238)	(49,278)
Non-deductible expenses for tax purposes	5,863	12,971	3,198	6,308
Unused tax losses and temporary differences not recognized as deferred tax assets (ii)	183	177	103	2,082
Super deduction for research and development expenses (iii)	(7,784)	(14,339)	(11,756)	(16,525)
Previously unrecognized tax losses and used to reduce deferred tax expense	(1,574)	(2,060)	(1,442)	-
Others	1,278	6,560	1,552	2,753
	4,418	**82,768**	**33,992**	**85,539**

(i) Reconciling differences are attributable to variations between the statutory tax rates applicable to certain subsidiaries and the parent Company's 25% rate.

(ii) Deferred income tax assets relating to these unused tax losses are not recognized as the management considers it is uncertain to utilize these unrecognized tax credits prior to their expiry dates mainly based on considerations of future profitability.

(iii) According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of it for the remaining period, so incurred as tax deductible expenses when determining their assessable profits for that year ("Super-deduction"). The Source Photonics Group has made its best estimation for the Super-deduction to be claimed for the Source Photonics Group's entities in ascertaining their assessable profits for the years ended December 31, 2023, 2024 and nine months ended September 30, 2025. In addition, in Taiwan region of China, if research and development (R&D) projects comply with the local regulatory requirements, 15% of the applied amount can be directly offset against the current year's tax liability.

13. DIVIDENDS

No dividend has been paid or declared by Source Photonics during the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

14. NOTES RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
- Notes receivables at FVOCI (i)	**28,217**	**6,022**	**4,918**

(i) Notes receivables at FVOCI

These notes receivables were classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cash flows and selling.

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of notes receivables at FVOCI	**28,217**	**6,022**	**4,918**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. SUBSIDIARIES

During the Track Record Period, Source Photonics' primary subsidiaries are as follows:

	Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/ paid-up capital As at December 31	Equity interest held by Source Photonics						Principal activities
				As at December 31				As at September 30		
				2023		2024		2025		
			'000	Direct	Indirect	Direct	Indirect	Direct	Indirect	
1	Source Photonics Santa Clara, LLC	USA, limited liability company	USD 64	–	100%	–	100%	—	—	Business and Investment
2	Source Photonics Holdings (Cayman) Limited	Cayman, limited liability company	USD 50	–	100%	–	100%	–	100%	Business and Investment
3	Source Photonics Taiwan, Inc.	PRC Taiwan, limited liability company	TWD 450,000	–	100%	–	100%	–	100%	R&D, production, and sales of optical chips and optical modules
4	Source Photonics (Shenzhen) Company Limited (索爾思光電(深圳)有限公司)	PRC Shenzhen, limited liability company	USD 30,000	–	100%	–	100%	–	100%	Domestic sales of optical modules
5	Source Photonics (Chengdu) Company Limited (索爾思光電(成都)有限公司)	PRC Chengdu, limited liability company	USD 104,675	–	100%	–	100%	–	100%	R&D, production, and sales of optical modules
6	Source Photonics (Macau) Commercial Offshore Limited	PRC Macau, limited liability company	MOP 100,000	–	100%	–	100%	–	100%	Overseas sales of optical modules
7	Jiangsu Source Communication Technology Co., Ltd. (江蘇索爾思通信科技有限公司)	PRC Changzhou, limited liability company	USD 23,662	–	90%	–	90%	–	90%	R&D, production, and sales of optical chips and optical modules

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. SUBSIDIARIES (Continued)

The statutory auditors of the above subsidiaries of the Source Photonics Group during the Track Record Period are set out below:

	Name of subsidiary	Name of statutory auditors		
		2023	2024	2025
1	Source Photonics Santa Clara, LLC (i)	—	—	—
2	Source Photonics Holdings (Cayman) Limited (i)	—	—	—
3	Source Photonics Taiwan, Inc.	BDO Taiwan	BDO Taiwan	BDO Taiwan
4	Source Photonics (Shenzhen) Company Limited	Grant Thornton (Special General Partnership)	Grant Thornton (Special General Partnership)	Pan-China Certified Public Accountants LLP
5	Source Photonics (Chengdu) Company Limited	Grant Thornton (Special General Partnership)	Grant Thornton (Special General Partnership)	Pan-China Certified Public Accountants LLP
6	Source Photonics (Macau) Commercial Offshore Limited (i)	—	—	Keng Ou Certified Public Accountants
7	Jiangsu Source Communication Technology Co., Ltd.	Grant Thornton (Special General Partnership)	Grant Thornton (Special General Partnership)	Pan-China Certified Public Accountants LLP

(i) The entity has not appointed an auditor to issue statutory financial statements for the years ended December 31, 2023, 2024 and nine months ended September 30, 2025.

<u>Source Photonics</u>

Investments in subsidiaries

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investments in subsidiaries	747,883	755,036	755,036

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16. PROPERTY, PLANT AND EQUIPMENT

The Source Photonics Group

	Office equipment	Electronic equipment	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023								
Cost	4,640	36,056	906,571	796	20,131	22,551	98,021	1,088,766
Accumulated depreciation	(4,095)	(30,170)	(434,223)	(770)	(14,950)	–	(64,071)	(548,279)
Carrying amounts	**545**	**5,886**	**472,348**	**26**	**5,181**	**22,551**	**33,950**	**540,487**
Opening carrying amounts	545	5,886	472,348	26	5,181	22,551	33,950	540,487
Additions	1,531	308	5,852	–	5,926	37,873	3,058	54,548
Transfers from construction in progress	–	–	31,270	–	–	(31,270)	–	–
Disposals	(3)	(30)	(10,385)	–	(3,634)	–	–	(14,052)
Currency translation differences	–	62	5,223	–	83	158	271	5,797
Depreciation charges	(208)	(2,538)	(58,189)	–	(2,657)	–	(5,910)	(69,502)
Closing carrying amounts	**1,865**	**3,688**	**446,119**	**26**	**4,899**	**29,312**	**31,369**	**517,278**
At December 31, 2023								
Cost	6,104	36,136	938,720	796	22,374	29,312	102,112	1,135,554
Accumulated depreciation	(4,239)	(32,448)	(492,601)	(770)	(17,475)	–	(70,743)	(618,276)
Carrying amounts	**1,865**	**3,688**	**446,119**	**26**	**4,899**	**29,312**	**31,369**	**517,278**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Source Photonics Group (Continued)

	Office equipment	Electronic equipment	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024								
Cost	6,104	36,136	938,720	796	22,374	29,312	102,112	1,135,554
Accumulated depreciation	(4,239)	(32,448)	(492,601)	(770)	(17,475)	–	(70,743)	(618,276)
Carrying amounts	**1,865**	**3,688**	**446,119**	**26**	**4,899**	**29,312**	**31,369**	**517,278**
Opening carrying amounts	1,865	3,688	446,119	26	4,899	29,312	31,369	517,278
Additions	1,766	6,642	73,430	387	3,398	184,714	6,775	277,112
Transfers from construction in progress	–	–	179,732	–	–	(179,732)	–	–
Disposals	(15)	(231)	(13,371)	(13)	–	–	–	(13,630)
Currency translation differences	(1,603)	21	(80)	–	(168)	(72)	1,032	(870)
Depreciation charges	(267)	(1,788)	(69,561)	(55)	(1,711)	–	(6,285)	(79,667)
Closing carrying amounts	**1,746**	**8,332**	**616,269**	**345**	**6,418**	**34,222**	**32,891**	**700,223**
At December 31, 2024								
Cost	5,969	37,256	1,099,674	931	24,605	34,222	107,574	1,310,231
Accumulated depreciation	(4,223)	(28,924)	(483,405)	(586)	(18,187)	–	(74,683)	(610,008)
Carrying amounts	**1,746**	**8,332**	**616,269**	**345**	**6,418**	**34,222**	**32,891**	**700,223**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Source Photonics Group (Continued)

	Office equipment	Electronic equipment	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)								
At January 1, 2024								
Cost	6,104	36,136	938,720	796	22,374	29,312	102,112	1,135,554
Accumulated depreciation	(4,239)	(32,448)	(492,601)	(770)	(17,475)	–	(70,743)	(618,276)
Carrying amounts	**1,865**	**3,688**	**446,119**	**26**	**4,899**	**29,312**	**31,369**	**517,278**
Opening carrying amounts	1,865	3,688	446,119	26	4,899	29,312	31,369	517,278
Additions	–	–	–	–	–	205,796	5,852	211,648
Transfers from construction in progress	–	1,461	166,079	396	1,559	(169,495)	–	–
Disposals	(15)	(71)	(10,464)	(13)	–	–	–	(10,563)
Currency translation differences	–	(87)	(17,198)	(9)	(280)	64	(1,543)	(19,053)
Depreciation charges	(61)	(1,265)	(49,319)	(37)	(1,323)	–	(4,281)	(56,286)
Closing carrying amounts	**1,789**	**3,726**	**535,217**	**363**	**4,855**	**65,677**	**31,397**	**643,024**
At September 30, 2024								
Cost	5,814	35,622	1,024,687	931	22,905	65,677	105,368	1,261,004
Accumulated depreciation	(4,025)	(31,896)	(489,470)	(568)	(18,050)	–	(73,971)	(617,980)
Carrying amounts	**1,789**	**3,726**	**535,217**	**363**	**4,855**	**65,677**	**31,397**	**643,024**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Source Photonics Group (Continued)

	Office equipment	Electronic equipment	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025								
Cost	5,969	37,256	1,099,674	931	24,605	34,222	107,574	1,310,231
Accumulated depreciation	(4,223)	(28,924)	(483,405)	(586)	(18,187)	–	(74,683)	(610,008)
Carrying amounts	**1,746**	**8,332**	**616,269**	**345**	**6,418**	**34,222**	**32,891**	**700,223**
Opening carrying amounts	1,746	8,332	616,269	345	6,418	34,222	32,891	700,223
Additions	118	4,502	99,599	360	1,444	285,323	20,471	411,817
Transfers from construction in progress	–	–	152,373	–	–	(152,373)	–	–
Disposals	(24)	45	(78,514)	–	–	–	–	(78,493)
Disposal of subsidiaries (Note 38)	–	(89)	(3,817)	–	–	–	(350)	(4,256)
Currency translation differences	–	358	13,424	–	403	247	712	15,144
Depreciation charges	(166)	(1,817)	(79,548)	(76)	(1,290)	–	(5,052)	(87,949)
Closing carrying amounts	**1,674**	**11,331**	**719,786**	**629**	**6,975**	**167,419**	**48,672**	**956,486**
At September 30, 2025								
Cost	5,618	33,260	1,231,717	1,291	27,600	167,419	128,389	1,595,294
Accumulated depreciation	(3,944)	(21,929)	(511,931)	(662)	(20,625)	–	(79,717)	(638,808)
Carrying amounts	**1,674**	**11,331**	**719,786**	**629**	**6,975**	**167,419**	**48,672**	**956,486**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease term as follows:

Machinery equipment	5-12 years
Electronic equipment	5 years
Office equipment and others	5 years
Motor vehicles	5 years
Leasehold improvements	Shorter of their useful lives and lease terms

See Note 41 for the other accounting policies relevant to property, plant and equipment.

(b) Depreciation of the Source Photonics Group's property, plant and equipment has been recognized as follows:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Cost of revenue	57,932	66,785	43,832	68,962
General and administrative expenses	3,073	2,705	2,395	6,874
Research and development expenses	7,375	8,667	8,070	9,671
Selling and marketing expenses	198	193	145	150
Inventories	924	1,317	1,844	2,292
	69,502	**79,667**	**56,286**	**87,949**

17. LEASE

17.1 The Source Photonics Group and Source Photonics as the lessee

(a) Amounts Recognized in the Consolidated Statements of Financial Position

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Buildings	118,414	105,090	95,369
Land use right	105	50	13
Others	149	84	–
	118,668	**105,224**	**95,382**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. LEASE (Continued)

17.1 The Source Photonics Group and Source Photonics as the lessee (Continued)

(a) Amounts Recognized in the Consolidated Statements of Financial Position (Continued)

The Source Photonics Group (Continued)

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities			
Current	20,391	20,722	15,651
Non-current	126,323	107,039	97,738
	146,714	**127,761**	**113,389**

(i) Additions to the right-of-use assets during the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 were approximately RMB 198,000, RMB 3,596,000, RMB 3,659,000 and nil, respectively.

(b) The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in Source Photonics Group, the lessee's incremental borrowing rate is used. The discount rate used during the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 were ranged from 4.50%—4.79%, 4.50%—4.79%, 4.50%—4.79% and 3.00%—4.79%, respectively.

(c) Depreciation charges of right-of-use assets have been recognized as follows:

The consolidated statements of profit or loss and the consolidated statements of cash flow contain the following amounts relating to leases:

	Year ended December 31		Nine months ended September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Depreciation charge of right-of-use assets:				
Land use right	56	51	38	39
Buildings	15,611	14,177	11,376	11,313
Others	144	67	50	50
	15,811	**14,295**	**11,464**	**11,402**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. LEASE (Continued)

17.1 The Source Photonics Group and Source Photonics as the lessee (Continued)

(c) Depreciation charges of right-of-use assets have been recognized as follows (Continued):

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest expense (included in finance cost)	4,836	4,821	4,073	4,472
Expense relating to short-term and low value leases not included in lease liabilities	2,356	3,632	2,602	3,510
	7,192	**8,453**	**6,675**	**7,982**

The total cash outflows for lease payments during the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 were approximately RMB 29,592,000, RMB 30,661,000, RMB 22,742,000 and RMB 15,298,000, respectively.

As a lessee, the Source Photonics Group mainly leases buildings, office equipment and motor vehicles. Lease contracts typically have fixed terms, ranging from 3 to 5 years for office equipment, motor vehicles and 3 to 15 years for buildings. They are stated at cost less accumulated depreciation and accumulated impairment losses.

See Note 41 for the other accounting policies relevant to lease.

17.2 The Source Photonics Group as the lessor

(a) Operating Lease

(i) Lease Income

The Source Photonics Group

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Lease income	161	140	116	55

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17.2 The Source Photonics Group as the lessor (Continued)

(a) Operating Lease (Continued)

(ii) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

	As at December 31		As at September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Within 1 year	2,760	1,863	1,971	–
1 to 2 years	1,836	–	335	–
	4,596	**1,863**	**2,306**	**–**

18. INTANGIBLE ASSETS

	Software	**Patent right**	**Patent technology**	**Development expenditure**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023					
Cost	50,695	46,314	68,731	43,772	209,512
Accumulated amortization	(45,970)	(39,698)	(14,692)	–	(100,360)
Carrying amounts	4,725	6,616	54,039	43,772	109,152
Year ended December 31, 2023					
Opening carrying amounts	4,725	6,616	54,039	43,772	109,152
Additions	656	–	80	44,660	45,396
Transfers from Research and Development	–	–	7,473	(7,473)	–
Disposals	–	–	–	–	–
Amortization charges	(1,054)	(6,718)	(14,355)	–	(22,127)
Foreign currency translation differences	62	102	521	394	1,079
Closing carrying amounts	**4,389**	**–**	**47,758**	**81,353**	**133,500**
At December 31, 2023					
Cost	52,089	47,100	76,964	81,353	257,506
Accumulated amortization	(47,700)	(47,100)	(29,206)	–	(124,006)
Carrying amounts	**4,389**	**–**	**47,758**	**81,353**	**133,500**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. INTANGIBLE ASSETS (Continued)

	Software	Patent right	Patent technology	Development expenditure	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024					
Cost	52,089	47,100	76,964	81,353	257,506
Accumulated amortization	(47,700)	(47,100)	(29,206)	–	(124,006)
Carrying amounts	4,389	–	47,758	81,353	133,500
Year ended December 31, 2024					
Opening carrying amounts	4,389	–	47,758	81,353	133,500
Additions	941	–	–	44,199	45,140
Transfers from Research and Development	–	–	71,664	(71,664)	–
Disposals	–	–	(168)	–	(168)
Amortization charges	(1,025)	–	(21,705)	–	(22,730)
Impairment loss recognized	–	–	(2,306)	–	(2,306)
Foreign currency translation differences	332	–	(360)	(7,439)	(7,467)
Closing carrying amounts	**4,637**	**–**	**94,883**	**46,449**	**145,969**
At December 31, 2024					
Cost	51,771	47,803	147,203	46,449	293,226
Accumulated amortization	(47,134)	(47,803)	(50,014)	–	(144,951)
Accumulated impairment	–	–	(2,306)	–	(2,306)
Carrying amounts	**4,637**	**–**	**94,883**	**46,449**	**145,969**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. INTANGIBLE ASSETS (Continued)

	Software	Patent right	Patent technology	Development expenditure	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
At January 1, 2024					
Cost	52,089	47,100	76,964	81,353	257,506
Accumulated amortization	(47,700)	(47,100)	(29,206)	–	(124,006)
Carrying amounts	4,389	–	47,758	81,353	133,500
Nine months ended September 30, 2024					
Opening carrying amounts	4,389	–	47,758	81,353	133,500
Additions	966	–	–	32,885	33,851
Transfers from Research and Development	–	–	18,276	(18,276)	–
Disposals	–	–	–	–	–
Amortization charges	(739)	–	(12,946)	–	(13,685)
Foreign currency translation differences	(53)	–	729	(772)	(96)
Closing carrying amounts	**4,563**	**–**	**53,817**	**95,190**	**153,570**
At September 30, 2024					
Cost	52,546	46,642	96,043	95,190	290,421
Accumulated amortization	(47,983)	(46,642)	(42,226)	–	(136,851)
Carrying amounts	**4,563**	**–**	**53,817**	**95,190**	**153,570**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. INTANGIBLE ASSETS (Continued)

	Software	Patent right	Patent technology	Development expenditure	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025					
Cost	51,771	47,803	147,203	46,449	293,226
Accumulated amortization	(47,134)	(47,803)	(50,014)	–	(144,951)
Accumulated impairment	–	–	(2,306)	–	(2,306)
Carrying amounts	4,637	–	94,883	46,449	145,969
Nine months ended September 30, 2025					
Opening carrying amounts	4,637	–	94,883	46,449	145,969
Additions	1,200	–	–	34,022	35,222
Transfers from Research and Development	–	–	11,151	(11,151)	–
Disposal of subsidiaries	(1,823)	–	(10,467)	(7,681)	(19,971)
Disposals	–	–	(9,590)	–	(9,590)
Amortization changes	(1,049)	–	(21,709)	–	(22,758)
Impairment loss recognized	–	–	(13,618)	–	(13,618)
Foreign currency translation differences	62	–	2,103	266	2,431
Closing carrying amounts	**3,027**	**–**	**52,753**	**61,905**	**117,685**
At September 30, 2025					
Cost	13,773	47,176	128,802	61,905	251,656
Accumulated amortization	(10,746)	(47,176)	(60,394)	–	(118,316)
Accumulated impairment	–	–	(15,655)	–	(15,655)
Carrying amounts	**3,027**	**–**	**52,753**	**61,905**	**117,685**

(a) Amortization expenses have been recognized as follows:

	Year ended December 31		Nine months ended September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cost of revenue	3,251	842	631	2,799
General and administrative expenses	13,796	20,680	12,149	14,963
Research and development expenses	5,028	1,191	893	4,837
Inventories	52	17	12	159
	22,127	**22,730**	**13,685**	**22,758**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. INTANGIBLE ASSETS (Continued)

(b) Amortization Methods and Periods

(i) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software.

(ii) Patent right

Separately acquired patent rights are shown at historical cost. They have limited useful lives and are subsequently carried at cost less accumulated amortization and impairment losses.

(iii) Patent technology

Patent technology is shown at historical cost. It have limited useful lives and are subsequently carried at cost less accumulated amortization and impairment losses.

The Source Photonics Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Software	5 years
Patent rights	10 years
Patent technology	5 years

(c) Research and Development

Research expenditure is recognized as an expense as incurred. Development Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. INTANGIBLE ASSETS (Continued)

(c) Research and Development (Continued)

The specific capitalization conditions for R&D projects are as follows: Source Photonics enters the development phase upon project approval and receipt of the EVT (Engineering Verification Test) report, which indicates that the product design scheme and key components are basically finalized and an engineering prototype has been formed. The development expenditures are then transferred to intangible assets for accounting purposes when a resolution for mass production is approved.

(d) Impairment Tests for Patent technology

For the nine months ended September 30, 2025, the Source Photonics Group recognised an impairment provision of RMB13.6 million in respect of certain patent technology. The impairment was mainly attributable to termination of relevant projects, weaker market demand, intensified competition and lower-than-expected future cash flows.

Management of Source Photonics identified indicators of impairment and engaged an independent valuer to conduct an impairment assessment on the related assets as at September 30, 2025.

The valuer performed the assessment by reference to the cash-generating unit ("CGU") to which the patent technology belonged. The carrying amount of the CGU was compared with its recoverable amount, being the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCOD"). Based on the assessment, the recoverable amount was determined to be value-in-use.

As a result of the cessation of related product development and commercialization activities, no economic benefits are expected to be derived from the patent technology. Accordingly, the recoverable amount of the related assets was assessed as nil, and Source Photonics Group recognised a full impairment provision against their carrying amount.

(e) Impairment Tests for Development Expenditure

Development Expenditure is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The following table sets out the key assumptions, where the Source Photonics Group used five-year period as the projection period for the cash flow forecast.

	Year ended December 31		Nine months ended September 30
Development Expenditure	**2023**	**2024**	**2025**
Revenue annual growth rates	0% to 127.4%	0% to 26.5%	0% to 13.0%
Perpetual annual growth rates	0.0%	0.0%	0.0%
Pre-tax discount rates	16.4%	16.7%	16.7%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. INTANGIBLE ASSETS (Continued)

(e) Impairment Tests for Development Expenditure (Continued)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Source Photonics Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

Impact of possible changes in key assumptions

Based on management's assessment on the recoverable amounts, the headroom is as follows:

	Year ended December 31		Nine months ended September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Development Expenditure	315,884	372,666	571,157

The recoverable amounts would equal their carrying amounts if the key assumptions were to change as follows:

	Year ended December 31		Nine months ended September 30
	2023	2024	2025
Revenue annual growth rates	30.50%	37.06%	42.00%
Pre-tax discount rates	94.00%	183.30%	249.00%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. INTANGIBLE ASSETS (Continued)

(e) Impairment Tests for Development Expenditure (Continued)

Sensitivity analysis has been performed based on the assumptions that revenue annual growth rates and pre-tax discount rates has been changed. Had the estimated key assumptions during the forecast period been changed as shown below, while other parameters remain constant, the headroom would be as follows:

	Year ended December 31		Nine months ended September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Average revenue annual growth rate decreased by 1%	442,037	510,354	565,157
Pre-tax discount rate increased by 1%	445,037	514,354	569,157

19. FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during the Track Record Period is as below:

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at fair value:			
Notes receivables at FVOCI (Note 14)	28,217	6,022	4,918
Financial assets at FVTPL (Note 25)	81,000	14,020	12,035
	109,217	**20,042**	**16,953**
Financial assets measured at amortized cost:			
Trade receivables (Note 21)	478,814	873,915	1,373,810
Restricted cash and term deposits (Note 26)	50,388	40,344	53,861
Cash and cash equivalents (Note 26)	213,914	252,047	275,731
Other receivables (Note 22)	23,511	39,818	53,148
	766,627	**1,206,124**	**1,756,550**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

19. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The Source Photonics Group (Continued)

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Financial liabilities measured at fair value:			
Convertible bonds (Note 25)	321,304	374,483	422,675
Other financial liabilities at FVTPL (Note 25)	2,625,085	–	–
	2,946,389	**374,483**	**422,675**
Financial liabilities measured at amortized cost:			
Trade payables (Note 28)	517,025	916,370	1,493,304
Accruals and other payables (excluding non-financial liabilities) (Note 29)	11,911	14,011	15,848
Lease liabilities (Note 17)	146,714	127,761	113,389
Borrowings (Note 27)	592,811	461,575	568,618
	1,268,461	**1,519,717**	**2,191,159**

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	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at amortized cost:			
Cash and cash equivalents	–	–	95
Other receivables (Note 22)	55,268	60,229	60,595
	55,268	**60,229**	**60,690**
Financial liabilities			
Financial liabilities measured at fair value:			
Other financial liabilities at FVTPL (Note 25)	**2,625,010**	**–**	**–**
Financial liabilities measured at amortized cost:			
Accruals and other payables (excluding non-financial liabilities) (Note 29)	199,389	305,205	293,130
Borrowings (Note 27)	102,174	–	–
	301,563	**305,205**	**293,130**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Gross deferred tax assets	78,624	55,456	56,750
Offsetting against deferred tax liabilities	(41,331)	(42,454)	(50,406)
Net deferred tax assets	**37,293**	**13,002**	**6,344**
Gross deferred tax liabilities	41,331	47,889	67,965
Offsetting against deferred tax assets	(41,331)	(42,454)	(50,406)
Net deferred tax liabilities	**–**	**5,435**	**17,559**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. DEFERRED TAX (Continued)

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) *Deferred Tax Assets*

	Tax losses	Loss allowance and impairment provision	Government grants	Amortization of Intangible Assets	Accrued expenses	Lease liabilities	Provisions for warranties and other expenses	Changes in the Fair Value of Defined Benefit Plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	12,240	29,097	2,154	4,876	474	24,874	587	3,692	77,994
Credited/(charged) to profit or loss (Note 12)	4,329	(4,014)	2,068	(350)	(35)	(2,768)	241	1,159	630
At December 31, 2023	**16,569**	**25,083**	**4,222**	**4,526**	**439**	**22,106**	**828**	**4,851**	**78,624**
At January 1, 2024	16,569	25,083	4,222	4,526	439	22,106	828	4,851	78,624
Credited/(charged) to profit or loss (Note 12)	(16,038)	(2,213)	(345)	(324)	175	(2,063)	289	(2,649)	(23,168)
At December 31, 2024	**531**	**22,870**	**3,877**	**4,202**	**614**	**20,043**	**1,117**	**2,202**	**55,456**
(Unaudited)									
At January 1, 2024	16,569	25,083	4,222	4,526	439	22,106	828	4,851	78,624
Credited/(charged) to profit or loss (Note 12)	(7,500)	(2,238)	(186)	131	4,548	(1,302)	119	(4,851)	(11,279)
At September 30, 2024	**9,069**	**22,845**	**4,036**	**4,657**	**4,987**	**20,804**	**947**	**–**	**67,345**
At January 1, 2025	531	22,870	3,877	4,202	614	20,043	1,117	2,202	55,456
Credited/(charged) to profit or loss (Note 12)	3,042	2,078	(331)	185	–	(1,366)	(112)	(2,202)	1,294
At September 30, 2025	**3,573**	**24,948**	**3,546**	**4,387**	**614**	**18,677**	**1,005**	**–**	**56,750**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. DEFERRED TAX (Continued)

(b) Deferred Tax Liabilities

	Changes in the Fair Value of Defined Benefit Plans	Right-of-use assets	Accumulated Depreciation of Fixed Assets	Unrealized Foreign Exchange Gain or Loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	392	21,785	19,625	–	41,802
Credited/(charged) to profit or loss (Note 12)	48	(2,719)	2,200	–	(471)
At December 31, 2023	**440**	**19,066**	**21,825**	**–**	**41,331**
At January 1, 2024	440	19,066	21,825	–	41,331
Credited/(charged) to profit or loss (Note 12)	152	(1,924)	8,330	–	6,558
At December 31, 2024	**592**	**17,142**	**30,155**	**–**	**47,889**
(Unaudited)					
At January 1, 2024	440	19,066	21,825	–	41,331
Credited/(charged) to profit or loss (Note 12)	(1)	(1,039)	7,907	–	6,867
Charged to other comprehensive income	(19)	–	–	–	(19)
At September 30, 2024	**420**	**18,027**	**29,732**	**–**	**48,179**
At January 1, 2025	592	17,142	30,155	–	47,889
Credited/(charged) to profit or loss (Note 12)	–	(1,328)	16,800	4,575	20,047
Credited/(charged) to other comprehensive income	37	–	–	–	37
Foreign exchange differences	–	–	–	(8)	(8)
At September 30, 2025	**629**	**15,814**	**46,955**	**4,567**	**67,965**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. DEFERRED TAX (Continued)

(c) Deferred Tax Assets Not Recognized

The Source Photonics Group has not recognized deferred tax assets in respect of the items below, which were not likely to generate taxable profit:

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	28,667	15,163	17,450
Temporary differences	41,775	22,242	24,065
	70,442	**37,405**	**41,515**

The tax losses not recognized deferred tax assets can be carried forward in future years. As at December 31, 2023, 2024 and September 30, 2025, the following table shows unused tax losses based on its expected expiry date:

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
2024	17,920	—	—
2025	–	–	—
2026	–	–	–
2027	–	–	–
2028	570	580	580
2029	1,059	1,076	1,076
2030	1,369	1,391	1,391
2031	–	–	–
2032	978	978	978
2033	2,359	2,359	2,359
2034	139	3,541	3,541
2035	174	177	2,143
2036	169	172	172
2037	263	268	268
2038	426	433	433
2039	322	327	327
2040	269	274	274
2041	–	254	254
2042	–	–	321
Unlimited	2,650	3,333	3,333
	28,667	**15,163**	**17,450**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. TRADE RECEIVABLES

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	481,384	877,705	1,378,933
Less: credit loss allowance	(2,570)	(3,790)	(5,123)
	478,814	**873,915**	**1,373,810**

(a) As at January 1, 2023, the gross carrying amounts of trade receivables from contracts with customers are amounting to RMB410,101,000 (net of expected credit loss amounting to RMB1,707,000).

(b) The Source Photonics Group grants credit terms to some customers ranging from 30 to 120 days from the date of billing. The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	479,737	873,220	1,373,013
One to two years	249	3,105	4,543
Over two years	1,398	1,380	1,377
	481,384	**877,705**	**1,378,933**

22. PREPAYMENTS AND OTHER RECEIVABLES

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments:			
Prepayments for equipment	50,202	18,539	127,662
Other receivables:			
Deposits	2,066	–	–
	52,268	**18,539**	**127,662**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Source Photonics Group (Continued)

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Prepayments:			
Prepayments for raw materials	4,238	9,985	4,854
Prepayments for operating expenses	7,612	11,058	16,191
Others	408	1,275	311
	12,258	**22,318**	**21,356**
Other receivables:			
Deposits	8,460	10,936	12,510
Export tax rebate	10,588	27,095	40,444
Finance lease receivables	2,532	1,822	–
Others	59	171	404
Less: provision for impairment	(194)	(206)	(210)
	21,445	**39,818**	**53,148**
	33,703	**62,136**	**74,504**

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Other receivables:			
Loans to subsidiaries	**55,268**	**60,229**	**60,595**

23. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

The Source Photonics Group

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other current assets			
Deductible input VAT	690	8,021	8,848
Prepaid corporate income tax	668	5,279	–
Returned goods receivable	7,948	9,122	10,989
	9,306	**22,422**	**19,837**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS (Continued)

The Source Photonics Group (Continued)

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other non-current assets			
Defined benefit plans	2,199	2,961	3,147

24. INVENTORIES

The Source Photonics Group

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	318,934	328,555	556,250
Work in progress	261,602	448,821	528,857
Finished goods	59,569	60,332	168,064
Materials on consignment	11,246	30,422	52,298
Goods in transit	22,417	106,432	66,162
Less: provision for impairment	(148,146)	(130,405)	(123,425)
	525,622	**844,157**	**1,248,206**

(i) The cost of inventories carried forward to the profit or loss during the year is mainly recognized as the cost of revenue. For the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025, the cost of inventories carried forward to the cost of revenue amounted to approximately RMB1,009,097,000, RMB2,030,603,000, RMB1,389,675,000 and RMB2,592,009,000, respectively.

(ii) Provision for inventories recorded as cost of revenue during the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 were RMB7,861,000, RMB16,618,000, RMB7,339,000 and RMB22,552,000, respectively.

(iii) The written off of provisions for inventories during the years ended December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 were RMB16,753,000, RMB29,754,000, RMB15,498,000 and RMB31,541,000, respectively.

(iv) The impact of foreign exchange losses/(gains) as at December 31, 2023, 2024 and nine months ended September 30, 2024 and 2025 were approximately RMB(4,679,000), RMB(4,605,000), RMB(4,380,000) and RMB2,009,000, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets and liabilities at fair value through profit or loss

The Source Photonics Group classifies the following financial assets and liabilities at fair value through profit or loss (FVTPL):

Financial assets and liabilities mandatorily measured at FVTPL include the following:

The Source Photonics Group

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Wealth management products	81,000	14,020	12,035
Non-current liabilities			
Convertible bonds (i)	–	–	422,675
	–	–	**422,675**
Current liabilities			
Convertible bonds (i)	321,304	374,483	–
Preferred shares (ii)	2,625,010	–	–
Derivative financial liabilities	75	–	–
	2,946,389	**374,483**	**–**

The Source Photonics

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Preferred shares	2,625,010	–	–

(i) Convertible Bonds

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Convertible bonds	321,304	374,483	422,675

The fair values of the convertible bonds were determined with reference to a professional valuation conducted by an independent professional valuer for the period ended September 30, 2025.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

(i) Convertible Bonds (Continued)

Source Photonics (Chengdu) Company Limited, a subsidiary of the Source Photonics Group, signed the Series D convertible bond loan agreement with an independent third party in November 2023, with a total principal amount of USD50 million. Source Photonics (Chengdu) Company Limited received RMB177,760,000 in December 2023 and RMB177,562,500 in April 2024.

The agreement stipulates that the holder of the convertible bond is entitled to convert this convertible bond into Source photonics Holdings (Cayman) Limited's shares when the holder complete the overseas direct investment procedures and formally notify the Source Photonics Group of its subscription for the Series D Preferred Share. The conversion is based on the exercise price USD2.6179, but subject of adjustments for share splits or share consolidations (referring to the entire USD50 million convertible bond loan).

Source Photonics (Chengdu) Company Limited, a subsidiary of the Source Photonics Group, signed another Series D convertible bond loan agreement with an independent third party in November 2023, with a total principal amount of USD40 million. Source Photonics (Chengdu) Company Limited received RMB142,246,000 from December 2023.

The agreement stipulates that the holder of the convertible bond is entitled to convert this convertible bond into Source photonics Holdings (Cayman) Limited's shares when the holder complete the overseas direct investment procedures and formally notify the Source Photonics Group of its subscription for the Series D Preferred Share. The conversion is based on the exercise price USD2.6179, but subject of adjustments for share splits or share consolidations (referring to the entire USD40 million convertible bond loan).

The Source Photonics Group fully repaid the convertible bond loan in 2024. During the period from the date of convertible bond loan received to December 31, 2023, and from January 1, 2024 to the end of the repayment date of the convertible bond loan, the changes in fair value was not materially different to the carrying amounts.

Source Photonics (Chengdu) Co., Ltd. ("Source Photonics Chengdu"), a wholly subsidiary of the Source Photonics Group, Suzhou Dongshan Precision Manufacturing Co., Ltd ("Dongshan Precision"), and Source Photonics jointly entered into the Convertible Bond Investment Agreement on June 30, 2025. Pursuant to the agreement, Dongshan Precision provided a RMB360 million convertible loan to Source Photonics Chengdu. As at September 30, 2025, Source Photonics Chengdu had received RMB360 million under this agreement. The agreement stipulates that the holder of the convertible bond is entitled to convert this convertible bond into shares of Source Photonics upon the holder formally notifying the Source Photonics Group of its subscription for the Preferred Shares. The conversion is based on the exercise price of USD3.0577.

Movements of convertible bond see Note 3.5 for the reconciliation of Level 3 assets and liabilities.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

(ii) Preferred Shares

Since the date of incorporation, Source Photonics has completed several rounds of financing through issuing Series A preferred shares, Series B preferred shares and Series C preferred shares (collectively referred to the "Preferred Shares").

The Preferred Shares are initially recognised at fair value. Source Photonics does not account for the embedded derivatives separately from the host contract and designates the entire Preferred Shares as financial liabilities at FVTPL with fair value changes recognised in "fair value changes of financial liabilities at FVTPL" in profit or loss.

Given that the Preferred Shares include early redemption option from the holder of Preferred Shares that do not meet equity instruments classification by applying IAS 32, and the redemption options are exercisable by the holders anytime, such Preferred Shares measured at FVTPL are classified as current liabilities when the holders have the options to convert within twelve months after the reporting period.

The balance of outstanding Preferred Shares as at December 31, 2023, 2024 and September 30, 2025 are set out below:

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Series A preferred shares(Note a)	1,614,786	–	–
Series B preferred shares(Note b)	446,200	–	–
Series C preferred shares(Note c)	564,024	–	–
	2,625,010	**–**	**–**

The movements and details of outstanding Preferred Shares during the track record period are set out below:

	Number of shares	Par value of shares
		USD
Series A preferred shares issued and fully paid:		
At January 1, 2023	57,449,524	5,745
Issuance of preferred shares	839,422	84
At December 31, 2023, 2024 and September 30, 2025	58,288,946	5,829
Series B preferred shares issued and fully paid:		
At January 1, 2023	19,022,469	1,902
Issuance of preferred shares	116,262	12
At December 31, 2023, 2024 and September 30, 2025	19,138,731	1,914

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

(ii) Preferred Shares (Continued)

	Number of shares	Par value of shares
		USD
Series C preferred shares issued and fully paid:		
At January 1, 2023	24,892,540	2,489
Issuance of preferred shares	3,394,669	339
At December 31, 2023, 2024 and September 30, 2025	28,287,209	2,828

Date of Issue	Subscription price per share(USD)	Number of shares	Total consideration	Total consideration
			USD'000	*RMB'000*
Series A Preferred Shares				
August 20, 2018	3.9009	7,718,447	30,109	206,902
December 27, 2018	3.1208	6,408,613	20,000	137,788
January 2, 2019	3.1208	9,612,920	30,000	205,446
January 4, 2019	3.1208	464,624	1,450	9,945
January 16, 2019	3.1208	8,651,628	27,000	182,561
May 23, 2019	3.1208	10,574,212	33,000	227,680
January 11, 2019 (Note)	–	1,929,364	–	–
June 30, 2020 (Note)	–	11,939,882	–	–
December 28, 2021 (Note)	–	149,834	–	–
August 18, 2023 (Note)	–	839,422	–	–
Series B Preferred Shares				
March 31, 2020	2.2342	10,070,719	22,500	159,415
July 1, 2020	2.2342	8,951,750	20,000	141,420
August 18, 2023 (Note)	–	116,262	–	–
Series C Preferred Shares				
December 28, 2021	2.4102	24,892,540	60,000	382,368
August 18, 2023 (Note)	–	3,394,669	–	–
		105,714,886	**244,059**	**1,653,525**

Note:

Pursuant to the anti-dilution provision of share purchase agreement, the Source Photonics issued additional 14,019,080 Series A preferred shares of par value USD0.0001 to the Series A investors on January 11, 2019 to December 28, 2021.

Pursuant to the anti-dilution provision of share purchase agreement, the Source Photonics issued 839,422 Series A preferred shares, 116,262 Series B preferred shares and 3,394,669 Series C preferred shares of par value USD0.0001 to Series A, Series B and Series C investors respectively with nil consideration. The Preferred Shares issuance was completed on August 18, 2023.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

(ii) Preferred Shares (Continued)

Note a:

Pursuant to the share purchase agreement dated from August 20, 2018 to April 10, 2019, Series A investors agreed to subscribe for 43,430,444 Series A preferred shares of the Source Photonics with par value of USD0.0001 each (the "Series A preferred shares"). The purchase price paid by Series A investors was equivalent to approximately USD3.1208 per share (the "Series A Issue Price"), which was determined based on arms' length negotiation between the Series A investors and the Source Photonics after taking in account of various factors, including, among others, the timing of investment and business performance of the Source Photonics Group. The investment was completed and fully settled from August 20, 2018 to May 23, 2019.

Note b:

Pursuant to the share purchase agreement dated from March 31, 2020 to June 30, 2020, Series B investors agreed to subscribe for 19,022,469 Series B preferred shares of the Source Photonics with par value of USD0.0001 each (the "Series B preferred shares"). The purchase price paid by Series B investors was equivalent to approximately USD2.2342 per share (the "Series B Issue Price"), which was determined based on arms' length negotiation between the Series B investors and the Source Photonics after taking in account of various factors, including, among others, the timing of investment and business performance of the Source Photonics Group. The investment was completed and fully settled from March 31, 2020 to July 1, 2020.

Note c:

Pursuant to the share purchase agreement dated from June 16, 2021 to June 20, 2021, Series C investors agreed to subscribe for 24,892,540 Series C preferred shares of the Source Photonics with par value of USD0.0001 each (the "Series C preferred shares"). The purchase price paid by Series C investors was equivalent to approximately USD2.4102 per share (the "Series C Issue Price"), which was determined based on arms' length negotiation between the Series C investors and the Source Photonics after taking in account of various factors, including, among others, the timing of investment and business performance of the Source Photonics Group. The investment was completed and fully settled on December 28, 2021.

In overall, the key terms of the Preferred Shares are as follows:

Redemption rights

The Shareholders of the Preferred Shares may give a written notice to the Source Photonics at any time or from time to time requesting redemption of all or part of their Preferred Shares under the specific conditions provided in the Articles of Association.

The Preferred Shares may be redeemed at any time on or after the earlier of the date falling 48 months after the completion date (i.e. the closing date of the relevant specific conditions provided in the Articles of Association), if a qualified exit (i.e. a qualifying IPO or a qualifying trade sale/ merger of the Source Photonics that is approved by the majority of the major shareholders and meeting the minimum valuation threshold as defined in the Articles) has not been consummated.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

(ii) Preferred Shares (Continued)

The redemption price per share is equal to the deemed preference price of the relevant class plus all accrued but unpaid interest at the simple rate of 10% per annum (calculated from the issuance date until the redemption date), less any dividends paid.

Liquidation preferences

Upon the occurrence of a liquidation event means any liquidation, dissolution or winding up of the Source Photonics, the assets of the Source Photonics available for distribution to the shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable law) (the "Liquidation Proceeds") shall be distributed in the order and priority as provided below:

Each preferred shareholder shall be entitled to receive the preference amount before the distribution of any Liquidation Proceeds can be made to the ordinary shareholders. The "preference amount" in respect of a preferred shareholder, means the aggregate amount of (i) the product of the preferred share price subject to adjustment from time to time in accordance with anti-dilution protection clause in the Articles of Association ("Deemed Preferred Share Price") of the Preferred Shares multiplied by the number of such preferred shares then held by such preferred shareholder (the "Base Amount"); and (ii) the interest accrued over the Base Amount of such preferred shareholder at the simple rate of 10% per annum (assuming a year of 365 days), calculated from the date that such preferred shares were issued to or acquired by such preferred shareholder until the date of the distribution of the Liquidation Proceeds to such preferred shareholder.

The Liquidation Proceeds legally available for distribution shall be distributed in the following order:

(a) first, ratably among the holders of the Series C preferred shareholders in proportion to their respective Preference Amount until all of the Preference Amount receivable by such holders are paid in full;

(b) then, ratably among the holders of the Series A preferred shares and the holders of the Series B preferred shares in proportion to their respective Preference Amount until all of the Preference Amount receivable by such holders are paid in full;

(c) then, ratably among the holders of the ordinary shares of the Source Photonics in proportion to the subscription price or the acquisition price, as applicable, that has been paid by such holder in respect of such ordinary share ("Investment Cost") of such holders in respect of their respective ordinary shares until all of such Investment Cost have been paid to such holders in full; and

(d) then, ratably among all of the shareholders in proportion to their respective shareholding percentage on a fully diluted and as converted basis.

Voting rights

Each preferred share has voting rights equivalent to the number of voting participating ordinary shares.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

(ii) Preferred Shares (Continued)

Dividends rights

The Shareholders of the Preferred Shares shall have pari passu rights to dividends in proportion to the number of the shares held by each of them on the date of the resolutions pursuant to which such dividends were declared.

No dividend was paid to the shareholders of Preferred Shares during the relevant periods.

(iii) The Source Photonics Group applied the discounted cash flow method to determine the underlying equity value of Source Photonics and adopted option pricing method and equity allocation model to determine the fair value of the Preferred Shares. The fair values of the preferred shares were determined with reference to a professional valuation conducted by an independent professional valuer for the year ended December 31, 2023. Key assumptions used to determine the fair value of preferred shares are as follows:

	As at December 31		As at September 30
	2023	**2024**	**2025**
Discount rate (%)	11.80	—	—
Expected volatility (%)	53.87	—	—
Risk-free interest rate (%)	2.21	—	—

Discount rate was estimated by weighted average cost of capital of each valuation date. The Source Photonics Group estimated the risk-free interest rate used in the equity allocation with reference to the yield of PRC Government Bonds at that time close to the timing as of valuation date. Volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise.

On June 22, 2024, Source Photonics revised the Shareholders' agreement with its shareholders, pursuant to which all contractual parties agreed to terminate the special rights attaching to the Series A preferred shares, Series B preferred shares and Series C preferred shares.

The special rights included anti-dilution protection, liquidation preference and redemption option from the Shareholders of Preferred Shares.

Upon the termination of the special right attached to the Preferred Shares, the Shareholders of the Preferred Shares are entitled to receive the same dividends as the holders of ordinary shares. In accordance with IAS 32 as the Preferred Shares does not have a fixed maturity and is non-redeemable and payment of dividends is at the discretion of the Source Photonics, as such, the Preferred Shares is no longer met the definition of financial liabilities and should be recognised as equity.

The Source Photonics Group applied the discounted cash flow model is used in determining the underlying equity value of the Source Photonics and Black Scholes option pricing model is used in performing an equity allocation to determine the fair value of the Preferred Shares upon the termination of the special right attached to the Preferred Shares. The fair values of the Preferred Shares were determined with reference to a professional valuation conducted by an independent professional valuer.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

The fair value of the Preferred Shares on the date of termination of the special rights was approximately RMB1,989,251,000. The difference between the carrying amount of the Preferred Shares as amounting to approximately RMB648,126,000 is recognised in profit or loss during the year ended December 31, 2024 to the Preferred Shares

Movements of preferred shares see Note 3.5 for the reconciliation of Level 3 assets and liabilities.

(b) Amounts recognised in profit or loss

During the year/period, the following gains/(losses) were recognised in profit or loss:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fair value changes on financial assets at FVTPL	1,420	20	–	35
Gain on modification of terms in Preferred Shares	–	648,126	648,126	–
Fair value changes on financial liabilities at FVTPL	(70,112)	(21,032)	(15,650)	(73,691)
Gains from financial assets at FVTPL during holding period	194	610	154	84
	(68,498)	**627,724**	**632,630**	**(73,572)**

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

(a) Cash and Cash Equivalents

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	264,302	292,391	329,592
Less: restricted cash and term deposits (i)	(50,388)	(40,344)	(53,861)
Cash and cash equivalents	**213,914**	**252,047**	**275,731**

(i) As at December 31, 2023, 2024 and September 30, 2025, the Source Photonics Group's term deposits and security deposits amounting to RMB50,388,000, RMB40,344,000 and RMB53,861,000 were pledged as a guarantee for the bank acceptance notes, borrowings, derivative instruments granted to the Source Photonics Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS (Continued)

(b) Cash and cash equivalents are Denominated in:

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
RMB	155,203	136,646	112,826
USD	94,911	136,043	200,529
TWD	6,723	9,117	7,881
Others	7,465	10,585	8,356
	264,302	**292,391**	**329,592**

27. BORROWINGS

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Bank borrowings			
– Secured	**11,766**	**–**	**10,000**
Current			
Bank borrowings			
– Secured	576,803	458,940	557,550
Interest payables	4,242	2,635	1,068
	581,045	**461,575**	**558,618**

(a) As at December 31, 2023, 2024 and September 30, 2025, the annual interest rate of short-term borrowings was ranged from 2.62% to 10.16%, 2.05% to 7.10% and 3.00% to 5.10%, respectively.

As at December 31, 2023, 2024 and September 30, 2025, the annual interest rate of long-term borrowings was ranged from 4.84% to 5.84%, nil and nil, respectively.

(b) As at December 31, 2023, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB100,745,000 guaranteed by patent technology and Source Photonics Group's subsidiaries; (ii) borrowings with a principal equivalent to approximately RMB75,157,000 guaranteed by restricted cash; (iii) borrowings with a principal equivalent to approximately

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

27. BORROWINGS (Continued)

The Source Photonics Group (Continued)

RMB376,498,000 guaranteed by Source Photonics Group's subsidiaries; (iv) borrowings with a principal equivalent to approximately RMB36,169,000 guaranteed by equipment.

As at December 31, 2024, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB30,000,000 guaranteed by restricted cash; (ii) borrowings with a principal equivalent to approximately RMB18,000,000 guaranteed by trade receivables and Source Photonics Group's subsidiaries; (iii) borrowings with a principal equivalent to approximately RMB399,816,000 guaranteed by Source Photonics Group's subsidiaries; (iv) borrowings with a principal equivalent to approximately RMB11,124,000 guaranteed by equipment.

As at September 30, 2025, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB537,550,000 guaranteed by Source Photonics Group's subsidiaries; (ii) borrowings with a principal equivalent to approximately RMB30,000,000 guaranteed by restricted cash and Source Photonics Group's subsidiaries.

(c) As at December 31, 2023, 2024 and September 30, 2025, the Source Photonics Group's borrowings were repayable as follows:

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	581,045	461,575	558,618
Between 1 and 2 years	11,766	–	10,000
Between 2 and 5 years	–	–	–
Over 5 years	–	–	–
	592,811	**461,575**	**568,618**

Source Photonics

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank borrowings			
– Secured	100,745	–	–
Interest payables	1,429	–	–
	102,174	**–**	**–**

As at December 31, 2023, 2024 and September 30, 2025, the annual interest rate of short-term borrowings was ranged from 8.23% to 10.16%, nil and nil, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

27. BORROWINGS (Continued)

Source Photonics (Continued)

(d) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

28. TRADE PAYABLES

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payments for materials	479,224	854,289	1,300,518
Payments for construction and equipment	16,215	43,353	156,035
Payments for operating expenses	21,586	18,728	36,751
	517,025	**916,370**	**1,493,304**

An aging analysis of the trade payables based on the recognition date as at the end of the reporting period was as follows:

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	515,157	913,392	1,490,648
1 to 2 years	760	1,826	1,537
2 to 3 years	241	240	228
Over 3 years	867	912	891
	517,025	**916,370**	**1,493,304**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29. ACCRUALS AND OTHER PAYABLES

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Salaries, wages and benefits	48,591	151,290	75,608
Taxes other than income tax payables	2,342	6,793	2,337
Provisions for sales returns	9,936	12,741	13,800
Others	2,907	2,276	3,248
	63,776	**173,100**	**94,993**

Source Photonics

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Payments to related party	199,389	305,205	293,130

30. PROVISIONS

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Product warranties (i)	3,215	2,353	2,776

(i) The Source Photonics Group provides product quality warranty to its consumers and offers free warranties for faults and quality issues that occur within agreed years after the sale of such products. Based on historical warranty claim information and warranty experience, the Source Photonics Group estimates and accrues estimated liabilities for the warranties provided to its customers when selling products. As the recent warranty experience may not reflect the warranty situation of the sold products in the future, the management of the Source Photonics Group needs to use judgement to estimate this estimated liability.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

31. DEFERRED INCOME

The Source Photonics Group

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	28,145	25,848	23,643

The movements of deferred income for the Track Record Period are as follows:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At beginning of the year	14,360	28,145	28,145	25,848
Grants received during the year/period	15,440	–	–	–
Amounts released to profit or loss during the year/period	(1,655)	(2,297)	(1,240)	(2,205)
At the end of the year/period	**28,145**	**25,848**	**26,905**	**23,643**

32. SHARE CAPITAL

Authorized share capital

The Source Photonics Group and Source Photonics

	Year ended December 31				Nine months ended September 30			
	2023		2024		2024		2025	
	Share capital	Number of shares (Note i)	Share capital	Number of shares (Note ii)	Share capital	Number of shares (Note ii)	Share capital	Number of shares (Note ii)
	USD'000	*'000*	*USD'000*	*'000*	*USD'000 (Unaudited)*	*'000 (Unaudited)*	*USD'000*	*'000*
At the end of the year/period	**50**	**235,000**	**50**	**195,000**	**50**	**195,000**	**50**	**195,000**

Note i: Including (i) 200,000,000 voting participating ordinary shares of a par value of USD0.0001 each; (ii) 35,000,000 employee ordinary shares of a par value of USD0.0001 each.

Note ii: Including (i) 160,000,000 voting participating ordinary shares of a par value of USD0.0001 each; (ii) 35,000,000 employee ordinary shares of a par value of USD0.0001 each. On April 17, 2024, Source Photonics adopted the fifth amended and restated memorandum and articles of association. As part of this

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

32. SHARE CAPITAL (Continued)

adoption, the authorised share capital of the Source Photonics was amended while the total authorised share capital remained unchanged at USD50,000.00. The authorised share capital was restructured as 200,000,000 voting participating ordinary shares of USD0.0001 par value each to 160,000,000 voting participating ordinary shares of USD0.0001 par value each.

Issued and fully paid share capital of voting participating ordinary shares

The Source Photonics Group and Source Photonics

	Year ended December 31				Nine months ended September 30			
	2023		2024		2024		2025	
	Share capital	**Number of shares**	**Share capital**	**Number of shares**	**Share capital**	**Number of shares**	**Share capital**	**Number of shares**
	RMB'000	*'000*	*RMB'000*	*'000*	*RMB'000* *(Unaudited)*	*'000* *(Unaudited)*	*RMB'000*	*'000*
At the beginning and end of the year/period	**65**	**100,000**	**65**	**100,000**	**65**	**100,000**	**65**	**100,000**

33. SHARE INCENTIVE SCHEME

2017 SHARE PLAN (2020 Revisions)

Pursuant to the share option incentive scheme dual approved by the Board of Directors and Shareholders on October 16, 2020 (the "2017 Share Plan (2020 Revisions)"), which authorizes that increase the maximum aggregate number of share options that may be issued to 31,115,675 Non-Voting Ordinary Shares.

(a) The share options were granted on the following dates:

- December 29, 2020, at an exercise price of USD2.04 per share. The fair value is USD0.29 per option;
- November 1, 2021, at an exercise price of USD2.04 per share. The fair value is USD0.21 per option;
- June 1, 2022, at an exercise price of USD2.04 per share. The fair value is USD0.25 per option;
- August 1, 2022, at an exercise price of USD1.19 per share. The fair value is USD0.48 per option.

The term shall not exceed 10 years from the Date of Grant.

(b) Definitions of Key Terms in 2017 Share Plan (2020 Revisions)

The following capitalized terms define the mechanical and legal constraints of the incentive arrangement:

Vesting Period: The plan specifies a vesting period of four (4) consecutive years, commencing on January 1, 2020. For share option grants made after 2020, the accounting vesting period is the period from the grant date through the end of the 2023 performance cycle. This period aligns with the service period required for participants to satisfy the vesting conditions.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

33. SHARE INCENTIVE SCHEME (Continued)

2017 SHARE PLAN (2020 Revisions) (Continued)

Vesting Date: For any given year's annual tranche, the later of (a) the first business day after the Board approves the Applicable EVIP Multiplier for that year, or (b) the first anniversary of the date the participant became a service provider.

Performance Conditions: The annual targets used to determine the portion of options that vest, based on Group indicators including revenue, **[REDACTED]** EBITDA before bonus, net profit, operating cash flow, and other strategic targets approved by the Board

Applicable Annual Shares: The number of shares eligible to vest for a specific year, calculated as 25% of the total share optiones multiplied by the Applicable EVIP Multiplier and a pro-rata fraction based on the number of days the participant remained a service provider during that year.

Catch-up Vesting Conditions: Specific conditions that, if satisfied, trigger the immediate vesting of the Maximum Optioned Shares for the entire four-year Vesting Period, regardless of whether the annual performance targets were previously met. These conditions include:

The Group achieved an aggregate audited net profit (prepared in accordance with PRC GAAP or PRC IFRS) of at least USD110 million during the Vesting Period, excluding specific legal fees as specified in the Plan; and

The participant maintaining status as a service provider from on or before December 31, 2020, through the 2023 Vesting Date.

Maximum Optioned Shares: The total sum of the Maximum Annual share optiones across the four-year Vesting Period, which shall in no event exceed 100% of the total options granted.

Vesting Conditions and Performance Targets

The share-based payment plan exclusively includes performance-based options. For accounting purposes, the vesting period commences on the grant date for each respective tranche. The December 2020 grant follows a four-year vesting period (25% per year); the November 2021 grant follows a three-year vesting period; and the two 2022 grants follow a two-year vesting period.

Vesting is subject to the following conditions:

Service Condition: The optionee must remain continuously employed as a service provider (including employees, directors, and consultants) for at least 12 months and must remain in service through the Vesting Date corresponding to each annual tranche.

Performance Condition: The number of options that vest annually is determined by the Applicable EVIP Multiplier approved by the Board. This multiplier is based on five key operating indicators of the Group: (A) revenue, (B) **[REDACTED]** EBITDA before bonus, (C) net profit, (D) operating cash flow, and (E) other strategic targets deemed necessary by the Board.

Catch-up Vesting Provision: Notwithstanding the annual performance results, all Maximum share options for the vesting period shall become fully vested on the 2023 Vesting Date if the Catch-up Vesting Conditions are met. These conditions require:

- The aggregate audited net profit (under PRC GAAP or IFRS) of the Group during the Vesting Period reaches at least USD 110 million, excluding legal fees related to specific arbitration proceedings.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

33. SHARE INCENTIVE SCHEME (Continued)

2017 SHARE PLAN (2020 Revisions) (Continued)

- The optionee commenced service on or before December 31, 2020, and maintains that relationship until the 2023 Vesting Date.

Measurement of Shares

The Applicable Annual Shares for any given year are calculated as the product of 25% of the total Optioned Shares, the Applicable EVIP Multiplier for that year, and the fraction of days the optionee provided service during that year. The total number of shares vested shall in no event exceed 100% of the original grant.

(c) Modification of share-based payment arrangements

In July 2022, Source Photonics reduced the exercise price of employee share options granted on December 29, 2020, November 1, 2021, and June 1, 2022 from USD2.04 to USD1.19 per share. The modification date of the share options was August 1, 2022. The incremental fair value of RMB24,896,000 is recognised as an expense over the remaining vesting period commencing from the modification date. The expense for the original grant is recognised continuously as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs.

	2017 SHARE PLAN (2020 REVISIONS)		
	2020/12/29	**2021/11/1**	**2022/6/1**
Expected price volatility	52.41%	52.41%	52.31%
Expected option life *(year)*	8-10 years	9-10 years	9-10 years
Risk-free interest rate	2.60%	2.59%	2.58%
Dividend yield	0%	0%	0%
Spot price of ordinary shares *(USD)*	1.17	1.17	1.17

(d) On August 18, 2023, pursuant to the third Shareholders' Meeting of 2023 and deliberated and approved the proposal titled "On the Transfer of Employee Stock Options from Venus Pearl SPV2 Co., Limited to Source Photonics Holdings (Cayman) Limited". Based on the completion of the organizational restructuring, all shareholders agreed to transfer the aforementioned multiple Employee share option plans at the VPA to Source Photonics' level. Specifically, Source Photonics shall formulate and implement the relevant employee incentive plans anew, and such plans shall be substantially the same as at the VPA level. Source Photonics separately assessed the fair value of the share options originally granted at the VPA level and the fair value of the modified share options for Source Photonics as the new entity at the modification date. The assessment results indicated that the change did not result in any change in the fair value of the share options. Therefore, the modification arising from the transfer of the share option plans did not give rise to additional share-based payment expenses, nor did it have any accounting impact related to the recognition of such expenses.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

33. SHARE INCENTIVE SCHEME (Continued)

The number of share options under the 2017 Share Plan (2020 Revisions) are summarized as follows:

	Year ended December 31				Nine months ended September 30			
	2023	**Weighted average exercise price**	**2024**	**Weighted average exercise price**	**2024**	**Weighted average exercise price**	**2025**	**Weighted average exercise price**
		USD		*USD*	*(Unaudited)*	*USD (Unaudited)*		*USD*
At the beginning of the year	31,342,675	1.19	31,115,675	1.19	31,115,675	1.19	31,115,675	1.19
Granted	480,000	1.19	–	1.19	–	1.19	–	1.19
Forfeited	(707,000)	1.19	–	1.19	–	1.19	–	1.19
At the end of the year/period	**31,115,675**		**31,115,675**		**31,115,675**		**31,115,675**	

The options outstanding at December 31, 2023, 2024 and at September 30, 2025 had an exercise price of USD1.19 and a weighted-average remaining contractual life of 7.8 years, 6.8 years and 6.1 years, respectively.

(e) Set out below are key assumptions of the share option incentive plans adopted during the Track Record Period:

	2017 SHARE PLAN (2020 REVISIONS)			
	2020/12/29	**2021/11/1**	**2022/6/1**	**2022/8/1**
Expected price volatility	50.43% to 54.79%	53.16%	52.27%	52.04% to 52.41%
Expected option life *(year)*	6-10 years	10 years	10 years	8-10 years
Risk-free interest rate	0.53%-0.94%	1.56%	2.91%	2.58% to 2.90%
Dividend yield	0%	0%	0%	0%
Spot price of ordinary shares *(USD)*	1.19	0.83	0.94	1.17

The volatility of the comparable companies for the period close to the expected time to exercise. The risk-free interest rate was referred to the market yield of government bond with similar issuing dates and maturity dates as of the respective grant dates.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

34. ACCUMULATED LOSSES

The Source Photonics Group

	Year ended December 31		Nine months ended September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year	(2,340,172)	(2,429,403)	(2,429,403)	(1,377,586)
Net profit/(loss)	(89,231)	1,051,817	880,960	476,205
At the end of the year/period	**(2,429,403)**	**(1,377,586)**	**(1,548,443)**	**(901,381)**

Source Photonics

	Year ended December 31		Nine months ended September 30	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year	(2,143,106)	(2,226,585)	(2,226,585)	(1,577,883)
Net profit/(loss)	(83,479)	648,702	647,533	6,191
At the end of the year/period	**(2,226,585)**	**(1,577,883)**	**(1,579,052)**	**(1,571,692)**

35. OTHER RESERVES

The Source Photonics Group

	Share premium	Other comprehensive income	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	498,960	(140,139)	65,648	424,469
Remeasurement of defined benefit plan	–	175	–	175
Currency translation differences of foreign operations	–	(52,372)	–	(52,372)
Share-based compensation expenses	–	–	26,529	26,529
Balance at December 31, 2023	**498,960**	**(192,336)**	**92,177**	**398,801**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35. OTHER RESERVES (Continued)

The Source Photonics Group (Continued)

	Share premium	Preferred shares	Other comprehensive income	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	498,960	–	(192,336)	92,177	398,801
Deemed contribution (i)	8,533	–	–	–	8,533
Modification of terms in Preferred Shares (Note 25)	–	1,989,251	–	–	1,989,251
Remeasurement of defined benefit plan	–	–	617	–	617
Currency translation differences of foreign operations	–	–	(51,156)	–	(51,156)
Share-based compensation expenses	–	–	–	7,153	7,153
Balance at December 31, 2024	**507,493**	**1,989,251**	**(242,875)**	**99,330**	**2,353,199**

	Share premium	Preferred shares	Other comprehensive income	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
Balance at January 1, 2024	498,960	–	(192,336)	92,177	398,801
Deemed contribution (i)	8,533	–	–	–	8,533
Modification of terms in Preferred Shares (Note 25)	–	1,989,251	–	–	1,989,251
Remeasurement of defined benefit plan	–	–	(77)	–	(77)
Currency translation differences of foreign operations	–	–	(26,331)	–	(26,331)
Share-based compensation expenses	–	–	–	7,153	7,153
Balance at September 30, 2024	**507,493**	**1,989,251**	**(218,744)**	**99,330**	**2,377,330**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35. OTHER RESERVES (Continued)

The Source Photonics Group (Continued)

(i) For the year ended December 31 and nine months ended September 30, 2024, deemed contribution mainly represents the donation received from the shareholder.

	Share premium	Preferred shares	Other comprehensive income	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	507,493	1,989,251	(242,875)	99,330	2,353,199
Remeasurement of defined benefit plan	–	–	148	–	148
Disposal of subsidiaries under common control (Note 38)	(18,189)	–	–	–	(18,189)
Currency translation differences of foreign operations	–	–	39,999	–	39,999
Balance at September 30, 2025	**489,304**	**1,989,251**	**(202,728)**	**99,330**	**2,375,157**

Source Photonics

	Share premium	Other comprehensive income	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	276,941	(217,410)	65,648	125,179
Currency translation differences of foreign operations	–	(48,610)	–	(48,610)
Share-based compensation expenses	–	–	26,529	26,529
Balance at December 31, 2023	**276,941**	**(266,020)**	**92,177**	**103,098**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35. OTHER RESERVES (Continued)

Source Photonics (Continued)

	Share premium	Preferred shares	Other comprehensive income	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	276,941	–	(266,020)	92,177	103,098
Modification of terms in Preferred Shares (Note 25)	–	1,989,251	–	–	1,989,251
Deemed contribution (i)	8,533	–	–	–	8,533
Currency translation differences of foreign operations	–	–	(20,157)	–	(20,157)
Share-based compensation expenses	–	–	–	7,153	7,153
Balance at December 31, 2024	**285,474**	**1,989,251**	**(286,177)**	**99,330**	**2,087,878**

	Share premium	Preferred shares	Other comprehensive income	Capital surplus	Total
(Unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	276,941	–	(266,020)	92,177	103,098
Deemed contribution (i)	8,533	–	–	–	8,533
Modification of terms in Preferred Shares (Note 25)	–	1,989,251	–	–	1,989,251
Currency translation differences of foreign operations	–	–	(18,210)	–	(18,210)
Share-based compensation expenses	–	–	–	7,153	7,153
Balance at September 30, 2024	**285,474**	**1,989,251**	**(284,230)**	**99,330**	**2,089,825**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35. OTHER RESERVES (Continued)

Source Photonics (Continued)

(i) The increase in share premium is due to the fact that the shareholder VPA gratuitously donated the refund of the syndicated loan deposit from East West Bank to Source Photonics.

	Share premium	Preferred shares	Other comprehensive income	Capital surplus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	285,474	1,989,251	(286,177)	99,330	2,087,878
Currency translation differences of foreign operations	–	–	6,345	–	6,345
Balance at September 30, 2025	**285,474**	**1,989,251**	**(279,832)**	**99,330**	**2,094,223**

36. CONTINGENCIES AND COMMITMENTS

36.1 Contingencies

The Source Photonics Group and Source Photonics have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2023, 2024 and September 30, 2025, the directors of Source Photonics did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the Historical Financial Information.

36.2 Capital Commitments

The following shows the major capital commitments of the Source Photonics Group:

	As at December 31		As at September 30
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment commitments:			
-Contracted, but not provided for	52,608	154,106	361,816

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

37. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of Profit/(loss) Before Income Tax to Net Cash Generated from Operations:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Profit/(loss) before income tax for the year/ period	(85,951)	1,133,222	914,301	560,795
Adjustments for:				
Interest income	(863)	(710)	(824)	(5,469)
Interests on restricted cash	(1,505)	(1,706)	(787)	(1,191)
Finance costs	52,948	28,389	20,002	26,888
Depreciation and amortization of non-current assets	106,294	115,127	79,407	119,377
Net losses on disposal of property, plant and equipment and other non-current assets	432	10,757	4,857	4,552
Net impairment losses on financial assets	891	1,284	198	1,364
Impairment provision for inventories	7,861	16,618	7,339	22,798
Fair value (gains)/losses on current financial assets and liabilities at FVTPL	68,692	21,012	15,650	73,656
Gains on disposal of financial assets at fair value through profit or loss (FVTPL)	(194)	(610)	(154)	(84)
Gain on modification of terms in Preferred Shares	–	(648,126)	(648,126)	–
Impairment of Intangible assets	–	2,306	–	13,618
Net foreign exchange (gains)/losses	(18,791)	(20,603)	11,841	9,903
Share-based compensation expenses	26,529	7,153	7,153	–
Increase in receivables	(94,134)	(414,248)	(233,178)	(557,618)
Increase in payables	142,640	431,053	280,487	598,920
Increase in inventories	(114,118)	(329,132)	(257,410)	(397,068)
Cash generated from operations	**90,731**	**351,786**	**200,756**	**470,441**

(b) Non-Cash Activities

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Additions of right-of-use assets by way of leasing liabilities (Note 17)	198	3,596	3,236	–

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

37. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(c) *Debt Reconciliation*

	Borrowings	**Lease liabilities**	**Convertible bonds**	**Financial liabilities at fair value through profit or loss - preferred shares**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	630,423	168,625	–	2,513,748	3,312,796
Financing cash flows	(39,603)	(20,419)	320,609	–	260,587
Interest paid	(35,285)	(6,817)	(527)	–	(42,629)
Interest accrued	41,924	4,836	–	–	46,760
Other non-cash movements	(4,648)	489	1,222	111,262	108,325
At December 31, 2023	**592,811**	**146,714**	**321,304**	**2,625,010**	**3,685,839**
At January 1, 2024	592,811	146,714	321,304	2,625,010	3,685,839
Financing cash flows	(118,614)	(20,763)	35,317	–	(104,060)
Interest paid	(17,231)	(6,265)	(3,169)	–	(26,665)
Interest accrued	20,411	4,821	–	–	25,232
Other non-cash movements	(15,802)	3,254	21,031	(2,625,010)	(2,616,527)
At December 31, 2024	**461,575**	**127,761**	**374,483**	**–**	**963,819**
(Unaudited)					
At January 1, 2024	592,811	146,714	321,304	2,625,010	3,685,839
Financing cash flows	(161,080)	(15,132)	35,317	–	(140,895)
Interest paid	(14,951)	(5,099)	(3,169)	–	(23,219)
Interest accrued	14,719	4,073	–	–	18,792
Other non-cash movements	7,184	2,939	15,658	(2,625,010)	(2,599,229)
At September 30, 2024	**438,683**	**133,495**	**369,110**	**–**	**941,288**
At January 1, 2025	461,575	127,761	374,483	–	963,819
Financing cash flows	109,772	(13,995)	2,254	–	98,031
Interest paid	(21,757)	(4,472)	(27,753)	–	(53,982)
Interest accrued	22,112	4,472	–	–	26,584
Other non-cash movements	(3,084)	1,149	73,691	–	71,756
Disposal of subsidiaries (Note 38)	–	(1,526)	–	–	(1,526)
At September 30, 2025	**568,618**	**113,389**	**422,675**	**–**	**1,104,682**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

38. DISPOSAL OF SUBSIDIARIES

Nine months ended September 30, 2025

During the nine months ended September 30, 2025, the Source Photonics Group disposed of interest in the following entity to Source Photonics, Inc and Source Photonics Santa Clara, LLC("Source Photonics SC") :

Name of subsidiaries	Place of establishment	Principal activities	Equity interest held by the Source Photonics before disposal	Equity interest held by the Source Photonics Group after disposal	Total consideration
Source Photonics, Inc (i)	The USA	R&D, production, and sales of optical chips and optical modules	100%	–	7
Source Photonics Santa Clara, LLC (i)	The USA	Business and Investment	100%	–	7

(i) On September 30, 2025, Source Photonics disposed of Source Photonics, Inc. and Source Photonics Santa Clara, LLC to New Source Photonics Holdings (Cayman) Limited, wholly owned subsidiaries of Source Photonics, for a consideration of USD1.00 for each.

The net assets of subsidiaries at the date of disposal and the impact on the cash flows in the current period were as follows:

	Source Photonics, Inc	Source Photonics SC	Total
	RMB'000	*RMB'000*	*RMB'000*
Net assets disposed of :			
Cash and cash equivalents	2,824	252	3,076
Trade and notes receivables	819	–	819
Prepayments and other receivables	300,458	2	300,460
Inventories	6,245	–	6,245
Property, plant and equipment	4,256	–	4,256
Right-of-use assets	447	–	447
Intangible assets	19,971	–	19,971
Trade payables	(6,118)	(4)	(6,122)
Accruals and other payables	(9,026)	(297,408)	(306,434)
Current tax liabilities	(3,003)	–	(3,003)
Lease liabilities	(1,526)	–	(1,526)
Less: Non-controlling interests	–	–	–
	315,347	**(297,158)**	**18,189**
Satisfied by:			
Cash consideration	–	–	–
Gain on disposal of subsidiaries (equity transaction, recognised directly in equity)	**315,347**	**(297,158)**	**18,189**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

38. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries as follow:

	Source Photonics, Inc	Source Photonics SC	Total
	RMB'000	*RMB'000*	*RMB'000*
Cash received	–	–	–
Cash and cash equivalents disposal of	2,824	252	3,076
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(2,824)**	**(252)**	**(3,076)**

39. RELATED PARTY TRANSACTIONS

(a) Parent Entities

Name	Place of incorporation	Ownership interest As at December 31 2023	Ownership interest As at December 31 2024	Ownership interest As at September 30 2025
Diamond Hill, L.P	Cayman Islands	34.99%	34.99%	34.99%

Source Photonics had no ultimate controlling shareholders for the years ended December 31, 2023, 2024 and nine months ended September 30, 2025.

(b) Names and Relationship with Related Parties

Related parties are those parties that have the ability, directly and indirectly, to control, jointly control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control and common joint control in the controlling shareholder's families. Members of key management and their close family member of the Source Photonics Group are also considered as related parties.

The directors of Source Photonics are of the view that the following parties were significant related parties of the Source Photonics Group that had transactions or balances with the Source Photonics Group for the years ended December 31, 2023, 2024 and nine months ended September 30, 2025:

Name of the related parties	Relationship with the Source Photonics Group
VPA	Former Controlling Shareholder
Yicun Capital Co., Ltd. (一村資本有限公司)	Shareholder with Significant Influence
Shanghai Yicun Private Equity Fund Management Co., Ltd.(上海一村私募基金管理有限公司)	Subsidiary of Yicun Capital Co., Ltd.
Source Photonics Santa Clara, LLC	An entity controlled by the controlling shareholders
New Source Photonics Holdings (Cayman) Limited	An entity controlled by the controlling shareholders

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39. RELATED PARTY TRANSACTIONS (Continued)

(c) Material Transactions with Related Parties

The following transactions and balances were carried out between the Source Photonics Group and its related parties during the Track Record Period. In the opinion of the directors of Source Photonics, the related party transactions were carried out in the normal course of business and at terms negotiated between the Source Photonics Group and the respective related parties.

The Source Photonics Group has the following transactions with related parties:

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Sales of goods and rendering of services:				
VPA	424	–	–	–

	Year ended December 31		Nine months ended September 30	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Purchase of goods:				
Shanghai Yicun Private Equity Fund Management Co., Ltd.	570	–	–	–

Fund transactions between related parties：

In August 2023, the Source Photonics Group issued convertible bonds to Yicun Capital with a total amount of USD 4.99 million (equivalent to RMB 36.5044 million). The bonds have an agreed annual interest rate of 5%, a share conversion period of 3 months, and a maximum term not exceeding December 28, 2023. The outstanding amount was repaid within 2023, and an interest of RMB 5.724 million was paid.

(d) Disposal of Subsidiaries

On September 30, 2025, Source Photonics disposed of Source Photonics, Inc. and Source Photonics Santa Clara, LLC to New Source Photonics Holdings (Cayman) Limited, wholly owned subsidiaries of Source Photonics, for a consideration of USD1.00 for each.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39. RELATED PARTY TRANSACTIONS (Continued)

(e) Balance with Related Parties

All the balances with the related parties are trade in natures.

	As at December 31		As at September 30
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade nature			
Trade receivables			
Source Photonics Santa Clara, LLC	–	–	2,474
Less: credit loss allowance	–	–	(2)
	–	**–**	**2,472**

For the year ended December 31, 2023, 2024 and the nine months ended September 30, 2025, the amount of expense recognized in the year in respect of bad and doubtful debts are nil, nil and RMB2,000, respectively.

40. EVENTS AFTER THE REPORTING PERIOD

Except for the transactions mentioned above, the Source Photonics Group had no significant subsequent events after September 30, 2025, and up to the date of this report.

41. SUMMARY OF OTHER ACCOUNTING POLICIES

(1) Principles of Consolidation

The Historical Financial Information incorporates the financial statements of Source Photonics and entities (including structured entities) controlled by Source Photonics and its subsidiaries. Control is achieved when Source Photonics:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Source Photonics Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(1) Principles of Consolidation (Continued)

When the Source Photonics Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Source Photonics Group considers all relevant facts and circumstances in assessing whether or not the Source Photonics Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Source Photonics Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Source Photonics Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Source Photonics Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when Source Photonics obtains control over the subsidiary and ceases when Source Photonics loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date Source Photonics gains control until the date when Source Photonics ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of Source Photonics and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Source Photonics and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Source Photonics Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Source Photonics Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Source Photonics Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Source Photonics Group's ownership interests in existing subsidiaries

Changes in the Source Photonics Group's ownership interests in existing subsidiaries that do not result in the Source Photonics Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Source Photonics Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Source Photonics Group and the non-controlling interests according to the Source Photonics Group's and the non-controlling interests' proportionate interests.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(1) Principles of Consolidation (Continued)

Changes in the Source Photonics Group's ownership interests in existing subsidiaries (Continued)

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of Source Photonics.

When the Source Photonics Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Source Photonics. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Source Photonics Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IFRS 9* or, when applicable, the cost on initial recognition of an investment in an associate.

(2) Investments in Associates and Joint Ventures

An associate is an entity over which the Source Photonics Group has significant influence but no control or joint control. This is generally the case where the Source Photonics Group holds between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Source Photonics Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Source Photonics Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Source Photonics Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Source Photonics Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Source Photonics Group and its associates and joint ventures are eliminated to the extent of the Source Photonics Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Source Photonics Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(2) Investments in Associates and Joint Ventures (Continued)

Changes in the Source Photonics Group's interests in associates and joint ventures

When the Source Photonics Group reduces its ownership interests in an associate or a joint venture but the Source Photonics Group continues to use the equity method (including situations that change of ownership interest in an associate or a joint venture due to capital increase of other shareholders to the associate or the joint venture), the Source Photonics Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

(3) Business Combinations

(i) Business Combination not Under Common Controls

The acquisition method of accounting is used to account for all business combinations (except for the business combinations under common controls), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Source Photonics Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Source Photonics Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(4) Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by Source Photonics on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

(5) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Source Photonics Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Source Photonics Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also Source Photonics' functional and the Source Photonics Group's presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(iii) Source Photonics Group Companies

The results and financial position of all the Source Photonics Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Source Photonics Group's entities are translated at the closing rate at the end of the reporting period;

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(5) Foreign Currencies (Continued)

(iii) Source Photonics Group Companies (Continued)

- income and expenses for each statement of profit or loss of the Source Photonics Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(6) Property, Plant and Equipment

The Source Photonics Group's accounting policy for buildings and equipment is explained in Note 16(a). Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Source Photonics Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(7) Impairment of Non-Financial Assets

Goodwill and intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(8) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Patent right and Patent technology

Patent right and Patent technology are initially recognized at fair value and historical costs on the acquisition date. They have a finite useful life and subsequently carried at cost less accumulated amortization and impairment losses.

(iii) Software

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life.

(iv) Research and Development

Research expenditure and development expenditure that do not meet the criteria for capitalisation are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(9) Financial Assets

(i) Classification

The Source Photonics Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Source Photonics Group has made an irrevocable election at the time of initial recognition to present subsequent changes in fair value in other comprehensive income.

(ii) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Source Photonics Group commits to purchase or sell the assets. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Source Photonics Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Source Photonics Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Source Photonics Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Source Photonics Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(9) Financial Assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

Equity instruments

The Source Photonics Group subsequently measures all equity investments at fair value. Where the Source Photonics Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Source Photonics Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other gains/ (losses) in the statement of profit or loss as applicable.

(iv) Impairment of Financial Assets

The Source Photonics Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Source Photonics Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flow will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Details, please refer to credit risks in Note 3.2.

(10) Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(10) Financial Liabilities and Equity (Continued)

Financial liabilities

Financial liabilities of the Source Photonics Group mainly comprise financial liabilities at amortized cost, including trade and notes payables, other payables and accruals, borrowings and customer deposit. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method.

Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is measured as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are measured as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as contingent consideration, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(10) Financial Liabilities and Equity (Continued)

Financial Liabilities at amortized cost

Financial liabilities including trade and notes payables, other payables and accruals, borrowings and customer deposit are subsequently measured at amortized cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Source Photonics derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss during period incurred.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined using the weighted-average cost calculated on a monthly basis. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(12) Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. The Source Photonics Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.2 for a description of the Source Photonics Group's impairment policies.

(13) Share Capital and Capital Reserve

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(14) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Source Photonics Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(15) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(15) Borrowings (Continued)

costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Source Photonics Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Source Photonics Group is required to comply with, on or before the end of reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Source Photonics Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(16) Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

(17) Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Source Photonics Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(17) Provisions (Continued)

determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

(18) Employee Benefits

(i) Short-Term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Housing Funds, Medical Insurances and Other Social Insurances

Employees of the Source Photonics Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Source Photonics Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Source Photonics Group's liability in respect of these funds is limited to the contribution payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Post-Employment Benefits

The Source Photonics 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 Source Photonics Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Source Photonics Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are certain oversea subsidiaries provide supplemental retirement benefits beyond the national regulatory insurance system.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligations less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the interest rate of treasury bonds with similar obligation term and currency. The charges related to supplementary retirement benefits (including current service costs, historical service costs and gains or losses on settlement) and net interest are recognized in profit or loss for the current period or included in the cost of an asset, and the changes arising from remeasurement in net liabilities or net assets of defined benefit plans are recognized in other comprehensive income.

(iv) Basic Pensions

The Source Photonics 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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(18) Employee Benefits (Continued)

(iv) Basic Pensions (Continued)

the basic pensions are calculated according to prescribed bases and percentage 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 recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(19) Share-Based Payments

(i) Equity-settled share-based payment transactions

The Source Photonics Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (including shares or share options) of the Source Photonics Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period);
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Source Photonics Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

(ii) Share-based payment transactions among Source Photonics Group entities

Source Photonics settling a share-based payment transaction when another entity in the Source Photonics Group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in Source Photonics' own equity instruments. Otherwise, the transaction shall be recognized as a cash settled share-based payment transaction. In its separate financial statements, Source Photonics records a debit, recognizing an increase in the investment in subsidiaries as a capital contribution from the parent and a credit to equity as no goods or services are received by Source Photonics. Source Photonics records a debit, recognizing the cash the employee paid when exercising the equity-settled share-based payment along with a decrease in reserves and a credit, recognizing share capital and share premium of Source Photonics.

(iii) Modifications and Cancellations

The Source Photonics Group may modify the terms and conditions on which the share-based compensation plan was granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year. A grant of the share-based compensation plan, that is cancelled or settled during the vesting year, is treated as an acceleration of vesting. The Source Photonics Group will immediately recognize the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(20) Dividend Distribution

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

(21) Interest Income

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

(22) Dividend Income

Dividend income is recognized when the right to receive dividend payment is established.

(23) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of Source Photonics, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(24) Government Grant

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(25) Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Source Photonics and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Source Photonics Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where Source Photonics is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(25) Current and Deferred Income Tax (Continued)

(ii) Deferred Income Tax (Continued)

In assessing any uncertainty over income tax treatments, the Source Photonics Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual Source Photonics Group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(26) Leases

(i) Definition of a Lease

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Source Photonics Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) The Source Photonics Group as a Lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Source Photonics Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-Term Leases and Leases of Low-Value Assets

The Source Photonics Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies to the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Source Photonics Group; and
- an estimate of costs to be incurred by the Source Photonics Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(26) Leases (Continued)

(ii) The Source Photonics Group as a Lessee (Continued)

Right-of-Use Assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease.

Right-of-use assets in which the Source Photonics Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Source Photonics Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Land leases are also in the scope of IFRS 16. The Source Photonics Group recognizes any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Refundable rental deposits paid are account under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease Liabilities

At the commencement date of a lease, the Source Photonics Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Source Photonics Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Source Photonics Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Source Photonics Group under residual value guarantees;
- the exercise price of a purchase option if the Source Photonics Group is reasonably certain to exercise that option;

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(26) Leases (Continued)

(ii) The Source Photonics Group as a Lessee (Continued)

Lease Liabilities (Continued)

- payments of penalties for terminating the lease, if the lease term reflects the Source Photonics Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Source Photonics Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

(iii) The Source Photonics Group as a Lessor

Classification and measurement of leases

Leases for which the Source Photonics Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

(27) Convertible Bonds

The Source Photonics Group has convertible bonds which are classified entirely as liabilities. Since the instrument contains an embedded derivative, it has been designated as at fair value through profit or loss on initial recognition and, as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred.

The liability is subsequently carried at fair value, determined using valuation techniques. If the bonds are converted, the fair value at the time of conversion are transferred to share capital and share premium for the shares issued. If the bonds are redeemed, the difference between redemption amount and carrying value is recognised in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(27) Convertible Bonds (Continued)

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Source Photonics or any of the companies now comprising the Source Photonics Group in respect of any period subsequent to September 30, 2025, and up to the date of this report.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

This appendix is mainly intended to provide potential investors with an overview of the Articles of Association. As the following data is merely a summary, it does not record all data that may be material to potential investors.

ISSUANCE OF SHARE

The issuance of shares by the Company shall follow the principles of openness, fairness and impartiality. Each share of the same class shall have equal rights.

For shares of the same class issued in the same offering, the issuance conditions and price per share shall be identical; and the same price shall be paid for each share subscribed by subscribers.

INCREASE/REDUCTION AND REPURCHASE OF SHARES

According to the operation and development needs of the Company, subject to the laws and regulations, the Company may increase the share capital by the following ways upon approval by way of resolutions at the shareholders' meeting:

(I) issuance of shares to unspecified parties;

(II) issuance of shares to specified parties;

(III) distribution of bonus shares to existing shareholders;

(IV) conversion of capital reserve into share capital;

(V) other methods prescribed by laws, administrative regulations, the CSRC, and the securities regulatory rules of the place where the Company's shares are listed.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, other relevant regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The Company shall not repurchase its own shares. However, the Company may acquire its own shares in accordance with the procedures stipulated in laws, administrative regulations, other relevant regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association:

(I) reduction of the Company's registered capital;

(II) merger with another company holding shares in the Company;

(III) using the shares for employee stock ownership plan or equity incentives;

(IV) acquisition of shares held by shareholders (upon their request) who vote against any resolution proposed in any shareholders' meeting on the merger or division of the Company.

(V) using shares for the conversion of corporate bonds which are convertible into shares issued by the Company;

(VI) as necessary for maintaining the value of the Company and safeguarding the rights and interests of shareholders.

The Company may acquire its own shares through open centralized trading methods, or other methods prescribed by laws, administrative regulations, and recognized by the CSRC and other stock exchanges and securities regulatory authorities of the places where the Company's shares are listed.

When the Company acquires its own shares under circumstances specified in items (III), (V) and (VI) above, it shall do so through open centralized trading methods.

With respect to A shares, when the Company acquires its own shares under circumstances specified in items (I) and (II) above, it shall be subject to resolution by the shareholders' meeting; when the Company acquires its own shares under circumstances specified in items (III), (V) and (VI) above, it shall, in accordance with the provisions of the Articles of Association or the authorization of the shareholders' meeting, be subject to resolution by a board meeting attended by more than two-thirds of the directors.

After the Company acquires its shares in accordance with the Articles of Association, for circumstances under item (I) above, the shares shall be cancelled within ten days from the date of acquisition; for circumstances under items (II) and (IV) above, the shares shall be transferred or cancelled within six months; for circumstances under items (III), (V) and (VI) above, the total number of the Company's own shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or cancelled within three years.

With respect to H shares, where applicable laws, regulations and the securities regulatory rules of the place where the Company's shares are listed provide otherwise regarding the aforementioned matters related to share repurchase, such provisions shall prevail. Where the Company purchases its own shares, it shall fulfill its information disclosure obligations in accordance with the Securities Law, the rules of the stock exchange where the Company's shares are listed and other securities regulatory rules.

TRANSFER OF SHARES

The Company's shares shall be transferred in accordance with law. All transfers of H shares shall be effected by instruments of transfer in writing in the usual or common form or any other form acceptable to the board of directors (including the standard transfer form or transfer form prescribed by the Hong Kong Stock Exchange from time to time); and such instruments of transfer may be executed by hand only or, if the transferor or transferee is a corporation, under seal. Where the transferor or transferee is a recognized clearing house as defined in relevant ordinances in force from time to time under the laws of Hong Kong (hereinafter referred to as the "Recognized Clearing House") or its nominee(s), instruments of transfer may be executed by hand or by machine imprinted signatures. All instruments of transfer shall be maintained at the legal address of the Company or other place designated by the board of directors from time to time.

The Company shall not accept its own shares as the subject matter of pledge rights.

Shares issued by the Company before the public offering of A shares shall not be transferred within one year from the date when the Company's A shares are listed and traded on a stock exchange.

Directors and senior management of the Company shall report to the Company their shareholdings in the Company and changes therein. During their term of office determined upon them taking office, the shares they transfer each year shall not exceed 25% of the total shares of the same class they hold in the Company, and the shares they held shall not be transferred within one year from the date of its listing. Furthermore, such individuals shall not transfer their shares within six months after leaving their positions.

Directors, senior management, and shareholders holding more than 5% of the Company's shares who sell their shares or other equity securities of the Company within six months after purchase, or purchase again within six months after sale, shall return the gains therefrom to the Company, and the Company's board of directors shall recover such gains. However, this excludes securities companies holding more than 5% of shares due to purchasing remaining shares after underwriting and other circumstances prescribed by applicable laws, regulations and the securities regulatory rules of the place where the Company's shares are listed.

The shares or other equity securities mentioned in the preceding paragraph held by directors, senior management, and natural person shareholders include those held by their spouses, parents, children, and through others' accounts.

Where the Company's board of directors fails to implement the above provisions, shareholders have the right to require the board of directors to implement them within 30 days. Where the Company's board of directors fails to implement them within the aforementioned period, shareholders have the right to directly file lawsuits with the people's court in their own name for the Company's benefit. Where the Company's board of directors fails to implement the above provisions, responsible directors shall bear joint and several liability in accordance with law.

After the company's shares are delisted, the company's shares will continue to be traded in the National Small and Medium-sized Enterprise Share Transfer System. The company shall not modify the provisions of the preceding paragraph.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

The Company shall establish a register of members based on certificates provided by securities registration and settlement institutions. Shareholders shall enjoy rights and bear obligations according to the class of shares they hold; shareholders holding shares of the same class shall enjoy equal rights and bear the same obligations.

The register of members is sufficient evidence proving shareholders' shareholdings in the Company. The original H share register of members shall be maintained in Hong Kong for shareholders' inspection, but the Company may suspend the registration procedures for shareholders in accordance with applicable laws, regulations, and the securities regulatory rules of the place where the Company's shares are listed. Any shareholder registered in the register of members or any person requesting registration of their name in the register of members may apply to the Company for new share certificates if their share certificates are lost. Where a foreign shareholder of a listed foreign capital shares loses their share certificates and apply for new ones, this process may be handled in accordance with laws, securities regulatory rules, or other relevant provisions of the place where the original register of members is maintained.

The company shall sign a securities registration and service agreement with the securities registration and settlement agency, regularly inquire the information of major shareholders and the changes of their shareholding (including the pledge of equity), and keep abreast of the company's equity structure.

When the company convenes a shareholders' meeting, distributes dividends, liquidates or engages in other acts requiring the confirmation of shareholders' identity, the board of directors or the convenor of the shareholders' meeting shall determine the equity registration date, and the shareholders registered in the register after the close of the equity registration date shall be the shareholders enjoying the relevant rights and interests.

Shareholders of the Company shall enjoy the following rights:

(I) to receive dividends and other forms of benefits according to the number of shares held;

(II) to require to hold, convene, chair, attend or appoint a proxy to attend shareholders' meetings and exercise the corresponding voting rights in accordance with the laws;

(III) to supervise the operations of the Company, and to put forward suggestions or raise enquiries;

(IV) to transfer, make a gift of or pledge shares held by them according to the provisions of the laws, administrative regulations and the Articles of Association;

(V) to inspect and duplicate the Articles of Association, registers of members, the minutes of shareholders' meetings, resolutions of the Board meetings and the financial accounting reports. Shareholders who meet the requirements may inspect the Company's accounting books and certificates;

(VI) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held;

(VII) with respect to shareholders who voted against any resolution adopted at the shareholders' meeting on the merger or division of the Company, the right to demand the Company to acquire the shares held by them;

(VIII) other rights stipulated in the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Where the content of resolutions by the Company's shareholders' meeting or board of directors violates laws or administrative regulations, shareholders have the right to request the people's court to declare them invalid. Where the convening procedures or voting methods of shareholders' meetings or board meetings violate laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, or the content of resolutions violates the Articles of Association, shareholders have the right to request the people's court to revoke them within 60 days from the date the resolutions are made. However, this excludes cases where the convening procedures or voting methods of shareholders' meetings or board meetings have only minor defects that do not substantially affect the resolutions.

Where directors other than audit committee members and senior management violate laws, administrative regulations or the Articles of Association in performing duties for the Company and cause losses to the Company, shareholders who individually or collectively hold 1% or more of the Company's shares for 180 consecutive days or more have the right to make written requests to the audit committee to file lawsuits with the people's court; where audit committee members violate laws, administrative regulations or the Articles of Association in performing duties for the Company and cause losses to the Company, the aforementioned shareholders may make written requests to the board of directors to file lawsuits with the people's court.

Where the audit committee or the board of directors refuses to file lawsuits after receiving the written requests from shareholders as specified in the preceding paragraph, or fails to file lawsuits within 30 days from the date of receiving the requests, or in urgent circumstances where failure to immediately file lawsuits would cause irreparable damage to the Company's interests, the shareholders specified in the preceding paragraph have the right to directly file lawsuits with the people's court in their own name for the Company's benefit.

Where directors or senior management violate laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association and harm shareholders' interests, shareholders may file lawsuits with the people's court.

The shareholders of the Company shall assume the following obligations:

(I) complying with laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association;

(II) paying share payments as per the shares subscribed for and the method of subscription;

(III) not to withdraw its share capital, except for circumstances stipulated by laws and regulations;

(IV) not to abuse the shareholders' rights to impair the interest of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to impair the interest of creditors of the Company;

(V) other obligations required to be assumed under laws, administrative regulations and the Articles of Association.

Shareholders of the Company shall be liable for making compensation for any loss suffered by the Company or other shareholders arising from their abuse of shareholders' rights in accordance with law. Shareholders of the Company who abuse the independent legal person status of the Company and the limited liability of shareholders to evade debts and seriously impair the interest of creditors of the Company shall be jointly and severally liable for the debts of the Company.

Controlling Shareholders and De Facto Controllers

The controlling shareholders and de facto controllers of the Company shall comply with the following provisions:

(I) exercise shareholders' rights in accordance with the law, not to abuse controlling interest, or exploit connected-party relationships to harm the legitimate rights and interests of the Company or other shareholders;

(II) strictly fulfil public statements and commitments made, without unauthorised changes or waivers;

(III) strictly fulfil information disclosure obligations in accordance with relevant regulations, actively cooperate with the Company in information disclosure work, and promptly inform the Company of significant events that have occurred or are planned to occur;

(IV) shall not misappropriate the Company's funds in any way;

(V) shall not coerce, instruct, or require the Company and related personnel to illegally provide guarantees;

(VI) shall not seek benefits using the Company's undisclosed significant information, shall not disclose any undisclosed significant information about the Company in any way, shall not engage in insider trading, short term trading, market manipulation, or other illegal activities;

(VII) shall not damage the legitimate rights and interests of the Company and other shareholders through unfair related party transactions, profit distribution, asset reorganisation, external investments, or any other means;

(VIII) ensure the integrity of the Company's assets, personnel independence, financial independence, institutional independence, and business independence, and shall not in any way affect the Company's independence;

(IX) comply with laws, administrative regulations, provisions of the CSRC, the securities regulatory rules of the place where the Company's shares are listed and other provisions of the Articles of Association.

Where any controlling shareholder or de facto controller of the Company instructs a director or senior management officer to engage in conduct that harms the interests of the Company or shareholders, such controlling shareholder or de facto controller shall bear joint and several liabilities with that director or senior management officer.

General Provisions for Shareholders' Meetings

The shareholders' meeting of the Company shall be composed of all shareholders. The shareholders' meeting is the authority of power of the Company which shall exercise the following functions and powers in accordance with the laws:

(I) elect and replace the directors who are not representatives of the employees, and decide on matters relating to the remuneration of the directors;

(II) consider and approve the reports of the board of directors;

(III) consider and approve the Company's profit distribution plans and loss recovery plans;

(IV) resolve to increase or reduce the registered capital of the Company;

(V) resolve on the issuance of corporate bonds;

(VI) resolve on merger, division, dissolution and liquidation or change in corporate form of the Company;

(VII) amend the Articles of Association;

(VIII) resolve on the engagement or dismissal of accounting firms engaged in the audit work of the Company;

(IX) consider and approve the guarantees prescribed in Article 47 of the Articles of Association;

(X) consider matters regarding the purchase and sale of material assets by the Company within one year which reach over 30% of the latest audited total assets of the Company;

(XI) consider and approve the changes in the use of proceeds raised;

(XII) consider the equity incentive plans and employee stock ownership plans;

(XIII) consider and approve major related transactions that are required to be approved by the shareholders' meeting as stipulated by laws, regulations and normative documents;

(XIV) consider and approve proposals put forward by the board of directors, a single shareholder, or shareholders acting in aggregate who hold 1% or more of the Company's shares;

(XV) resolve on the Company's repurchase of its own shares under the circumstances specified in items (I) and (II) of Article 25 of the Articles of Association;

(XVI) consider other matters which shall be decided by the shareholders' meetings as stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

The shareholders' meeting may authorise the board of directors to resolve on the issue of corporate bonds.

The following external guarantees of the Company shall be submitted to the shareholders' meeting for consideration after consideration and approval by the board of directors:

(I) guarantee with a single sum of guarantee that has exceeded 10% of the latest audited net assets of the Company;

(II) any guarantee after the total amount of external guarantees provided by the Company and its holding subsidiaries has exceeded 50% of the latest audited net assets of the Company;

(III) any guarantee provided by the Company and its subsidiaries after the total amount of external guarantees provided by them exceeds 30% of the Company's latest audited total assets;

(IV) guarantee to be provided for a party with a gearing ratio of over 70%;

(V) within any consecutive twelve-month period, the amount of guarantees exceeds 30% of the Company's latest audited total assets;

(VI) within any consecutive twelve-month period, the amount of guarantees exceeds 50% of the Company's latest audited net assets and the absolute amount exceeds RMB 50 million;

(VII) guarantees provided to the shareholders, de facto controllers and their related parties;

(VIII) other guarantee circumstances prescribed by laws, regulations, normative documents, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

When a guarantee is raised for consideration by the board of directors, it shall, in addition to being approved by a majority of all directors, be considered and approved by more than two-thirds of the directors attending the board meeting. When the shareholders' meeting considers the guarantee mentioned in item (V) of the preceding paragraph, it shall be approved by more than two-thirds of the voting rights held by the shareholders attending the meeting.

When the shareholders' meeting considers guarantee proposals for shareholders, de facto controllers, and their related parties, such shareholders or shareholders controlled by such de facto controllers shall not participate in the voting, and such voting shall be approved by more than half of the voting rights held by other shareholders attending the shareholders' meeting.

Shareholders' meetings include annual shareholders' meetings and extraordinary shareholders' meetings. Annual shareholders' meetings are held once every year and within 6 months from the end of the preceding financial year.

The Company shall convene an extraordinary shareholders' meeting within 2 months from the date of the occurrence of any of the following circumstances:

(I) where the number of directors is less than the number stipulated in the Company Law or two-thirds of the number prescribed in the Articles of Association;

(II) where the losses of the Company that have not been made up represent one-third of its total share capital;

(III) where such meeting is requested by shareholders individually or jointly holding more than 10% of the shares of the Company;

(IV) where such meeting is deemed necessary by the board of directors;

(V) where such meeting is proposed to be convened by the audit committee;

(VI) other circumstances specified in laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Convening of Shareholders' Meeting

The board of directors shall convene the shareholders' meeting on time within the stipulated period.

With the consent of more than half of all independent directors, independent directors shall be entitled to propose to the board of directors to convene an extraordinary shareholders'meeting. The board of directors shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, furnish a written reply stating whether it agrees or disagrees with the convening of the extraordinary shareholders' meeting within 10 days after receiving such a proposal from the independent directors. In the event that the board of directors agrees to convene an extraordinary shareholders' meeting, the notice of shareholders' meeting shall be issued within 5 days after the board of directors passes the relevant resolution. In the event that the board of directors does not agree to convene an extraordinary shareholders' meeting, it shall state the reasons and make an announcement.

The Audit Committee shall propose to the board of directors to convene an extraordinary shareholders' meeting, and such proposal shall be made in writing. The board of directors shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, furnish a written reply stating whether it agrees or disagrees with the convening of an extraordinary shareholders' meeting within 10 days after receiving such proposal. In the event that the board of directors agrees to convene an extraordinary shareholders' meeting, the notice of shareholders' meeting shall be issued within 5 days after the board of directors passes the relevant resolution. Any changes to the original proposal made in the notice shall be approved by the Audit Committee. In the event that the board of directors does not agree to convene an extraordinary shareholders' meeting or does not furnish any reply within 10 days after receiving such proposal, the board of directors shall be deemed as unable to perform or failure to perform its duty of convening a shareholders' meeting, in which case the Audit Committee may convene and preside over a shareholders' meeting by itself.

Shareholders individually or jointly holding more than 10% of the shares (including preferred shares with restored voting rights) of the Company shall request the board of directors to convene an extraordinary shareholders' meeting, and such request shall be made in writing. The board of directors shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, furnish a written reply stating whether it agrees with the convening of the extraordinary shareholders' meeting within 10 days after receiving such request. In the event that the board of directors agrees to convene an extraordinary shareholders' meeting, the notice of shareholders' meeting shall be issued within 5 days after the board of directors passes the relevant resolution. Any changes to the original request made in the notice shall be approved by the relevant shareholders. In the event that the board of directors does not agree to convene an extraordinary shareholders' meeting or does not furnish any reply within 10 days after receiving such request, shareholders individually or jointly holding more than 10% of the shares (including preferred shares with restored voting rights) of the Company shall propose to the Audit Committee to convene an extraordinary shareholders' meeting, and such proposal shall be submitted in writing to the Audit Committee. In the event that the Audit Committee agrees to convene an extraordinary shareholders' meeting, the notice of shareholders' meeting shall be issued within 5 days after receiving such request. Any changes to the original request made in the notice shall be approved by the relevant shareholders. Failure of the Audit Committee to issue the notice of shareholders' meeting within the prescribed time limit shall be deemed as failure of the Audit Committee to convene and preside over a shareholders' meeting, and shareholders individually or jointly holding more than 10% of the shares (including preferred shares with restored voting rights) of the Company for more than 90 consecutive days are entitled to convene and preside over a shareholders' meeting on their own initiatives.

Where the Audit Committee or shareholders decide(s) to convene a shareholders' meeting on their own initiative, the board of directors shall be notified in writing, and records shall be filed with the securities regulatory authority of the place where the Company's shares are listed, in accordance with the requirements of the securities regulatory rules of such place. Before the announcement of the resolution of the shareholders' meeting, the shareholding of the shareholders convening such meeting shall not be less than 10%. The Audit Committee and the shareholders convening the meeting shall submit the relevant materials for proof to the securities regulatory authority of the place where the Company's shares are listed, in accordance with the requirements of the securities regulatory rules of such place at the time of issuance of notice of shareholders' meeting and announcement on the resolutions passed at the shareholders' meeting. For the shareholders' meeting convened by the Audit Committee or shareholders on their own initiative, the board of directors and its secretary will cooperate. The board of directors shall provide the register of members as at the date of shareholding registration.

For the shareholders' meetings convened by the Audit Committee or the shareholders on their own initiative, the necessary expenses in relation to the meetings shall be borne by the Company.

Proposals and Notices of Shareholders' Meetings

The content of the proposals shall be within the scope of the terms of reference of the shareholders' meeting, and have clear subjects and specific resolutions, and shall comply with the relevant requirements of the laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

When the Company convenes a shareholders' meeting, the board of directors, the Audit Committee, as well as shareholder(s) individually or jointly holding more than 1% of the shares of the Company, shall be entitled to put forward proposals to the Company.

Shareholder(s) individually or jointly holding more than 1% of the shares (including preferred shares with restored voting rights) of the Company may raise provisional proposals and submit the same in writing to the convener 10 days prior to the date of the shareholders' meeting. The convener shall issue a supplemental notice of shareholders' meeting and submit such proposal to the shareholders' meeting for review within 2 days after receiving such proposal and announce the content of the provisional proposal. Unless the provisional proposal violates laws, administrative regulations, the securities regulatory rules of the places where shares of the Company are listed, or the Articles of Association, or falls outside the scope of the authority of the shareholders' meeting. If the securities regulation rules of the places where shares of the Company are listed requires the shareholders' meeting to be postponed as a result of the supplemental notice, the convening of the shareholders' meeting shall be postponed in accordance with the requirements of such securities regulation rules. The Company shall not increase the shareholding ratio of shareholders who propose provisional proposals.

Other than the circumstances referred to in the preceding paragraph, after the convener issues the notice for the shareholders' meeting, no changes shall be made to the proposals set forth in the notice of shareholders' meeting and no further proposals shall be added.

The shareholders' meeting shall not vote or resolve on proposals not set forth in the notice of shareholders' meeting or not in compliance with the requirements of the Articles of Association.

The convener shall notify each shareholder in writing (including announcement) 20 days before the annual shareholders' meeting, and the extraordinary shareholders' meeting shall notify each shareholder in writing (including announcement) 15 days before the meeting. The date of the meeting shall not be included in the calculation of the commencement period.

The notice of shareholders' meeting shall include the following:

(I) time, place and duration of the meeting;

(II) the matters and proposals submitted to the meeting for consideration. All specific details of all proposals shall be fully and completely disclosed;

(III) the notice shall state clearly that all ordinary shareholders (including preferred shareholders with restored voting rights), shareholders holding shares with special voting rights, and other shareholders are entitled to attend the shareholders' meeting or appoint proxies in writing to attend and vote at such meeting on their behalf and that such proxies need not to be a shareholder of the Company;

(IV) the date of shareholding registration for shareholders who are entitled to attend the shareholders' meeting. The interval between the registration date and the date of the meeting shall not exceed 7 business days. Once the record date is confirmed, it shall not be changed;

(V) the names and telephone numbers of the contact person for the meeting affairs;

(VI) the timing and procedures for voting online or otherwise.

After the notice of the shareholders' meeting has been given, the shareholders' meeting shall not be postponed or cancelled without justifiable reasons, and the proposals specified in the notice of the shareholders' meeting shall not be cancelled. In case of postponement or cancellation, the convener shall send a notice at least 2 trading days before the scheduled date and explain the reasons.

Conducting the Shareholders' Meeting

All shareholders in the register as at the date of shareholding registration or their proxies shall be entitled to attend the shareholders' meeting, and to exercise their voting rights at the shareholders' meeting pursuant to the relevant laws and regulations, the securities regulatory rules of the place where shares of the Company are listed and the Articles of Association.

A shareholder may attend and vote at the shareholders' meeting in person or by proxy.

Individual shareholders attending the shareholders' meeting in person shall present their identity cards or other valid identity documents or proof. In the case of attending by proxies, the proxies shall present valid identity documents and the proxy forms from the shareholders.

Where a shareholder is a legal entity, its legal representative or a proxy entrusted by such legal representative shall attend the meeting. If the meeting is attended by the legal representatives, they shall produce their identity cards and valid proof of their status as legal representatives; if the meeting is attended by proxies of such legal representatives, such proxies shall present their identity cards and the written authorization letter legally issued by the legal representative of the legal entity shareholder.

If a shareholder is a recognized clearing house (or its agent) as defined in the relevant ordinances from time to time enacted in Hong Kong or the securities regulatory rules of the place where the Company's shares are listed, such shareholder may authorize its corporate representative or one or more persons it deems appropriate to act as its representative at any shareholders' meeting or any creditors' meeting; provided that if more than one person is authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. Any person so authorized may exercise rights on behalf of such shareholder (without producing share certificates, with notarized authorization and/or further evidence to prove their due authorization) and shall be entitled to the same statutory rights as other shareholders, including the right to speak and vote, as if such person were an individual shareholder of the Company.

If the shareholders' meeting requires directors and members of the senior management to be present at the meeting, the directors and members of the senior management shall be present and accept enquiries from shareholders.

A shareholders' meeting shall be presided over by the chairman of the board of directors. If the chairman is unable or unwilling to perform his/her duties, the vice chairman shall preside. If the vice chairman is unable or unwilling to perform his/her duties, a director nominated by a majority of the directors shall preside. A shareholders' meeting convened by the Audit Committee on its own initiative shall be presided over by the convener of the Audit Committee. If the convener of the Audit Committee is unable or unwilling to perform his/her duties, a member of the Audit Committee nominated by a majority of the members of the Audit Committee shall preside. A shareholders' meeting convened by the shareholders on their own initiative shall be presided over by the convener or a representative nominated by the convener. If the chairman of the meeting is in breach of the rules of procedure such that the shareholders' meeting cannot proceed, the shareholders' meeting may, upon the consent of a majority of the shareholders present at the meeting and entitled to vote, elect a person to act as the chairman and continue to conduct the meeting.

Voting at and Resolutions of Shareholders' Meetings

Resolutions of a shareholders' meeting include ordinary resolutions and special resolutions. Ordinary resolutions of a shareholders' meeting shall be passed by votes representing more than half of the voting rights held by shareholders attending the shareholders' meeting. Special resolutions of a shareholders' meeting shall be passed by votes representing more than two-thirds of the voting rights held by shareholders attending the shareholders' meeting.

The following matters shall be resolved by way of ordinary resolutions at a shareholders' meeting:

(I) work reports of the board of directors;

(II) profit distribution plan and loss make-up plan formulated by the board of directors;

(III) appointment and dismissal of directors, their remuneration and payment terms;

(IV) matters other than those to be approved by special resolutions in accordance with the laws, administrative regulations, requirements under the securities regulations and rules of the places where shares of the Company are listed or the Articles of Association.

The following matters shall be resolved by way of special resolutions at a shareholders' meeting:

(I) increase or reduction of the registered capital of the Company;

(II) division, spin-off, merger, dissolution and liquidation of the Company;

(III) amendments to the Articles of Association;

(IV) purchase or disposal of material assets or provision of guarantees to others by the Company within one year, of which the amount exceeds 30% of the latest audited total assets of the Company;

(V) stock option incentive schemes;

(VI) other matters stipulated by laws, administrative regulations, securities regulatory rules of the places where the Company's shares are listed or the Articles of Association, and other matters which are considered to have a significant impact on the Company and therefore need to be passed by way of a special resolution as determined by the shareholders' meeting with an ordinary resolution.

Shareholders shall exercise their voting rights according to the number of voting shares held by them, and each share shall have one vote. Save for shares with special class rights. Where otherwise provided by the securities regulatory rules of the place where the Company's shares are listed, such rules shall prevail.

When material issues affecting the interests of the small and medium investors are considered at shareholders' meeting, the votes of the small and medium investors shall be counted separately. The separate voting results shall be disclosed publicly in a timely manner.

The shares of the Company held by the Company itself do not have voting rights, and such shares shall not be included in the total number of voting shares present at the shareholders' meeting.

If the shareholder's purchase of the voting shares of the Company violates paragraphs 1 and 2 of Article 63 of the Securities Law, voting rights of the shares in excess of the prescribed proportion shall not be exercisable within 36 months after the purchase and shall not be included in the total number of voting shares present at the shareholders' meeting.

The board of directors, independent directors and shareholders holding more than 1% of the voting shares or the investor protection institutions established in accordance with laws, administrative regulations, or the provisions of the CSRC may publicly solicit shareholders' voting rights.

The solicitors shall make sufficient disclosure of the information such as their voting preference to the shareholders from whom the voting rights are being solicited. Solicitation of voting rights of shareholders involving compensation or disguised compensation shall be prohibited. The Company shall not impose any limitation in respect of the minimum shareholding ratio on the solicitation of voting rights except as required by law.

When a related transaction is considered at a shareholders' meeting, the related shareholders shall abstain from voting. The number of voting shares represented by such shareholder(s) shall not be included in the total number of valid votes. The resolutions of the shareholders' meeting shall fully disclose the voting results of non-related shareholders.

DIRECTORS AND BOARD OF DIRECTORS

General Provisions for Directors

The director of the Company shall be a natural person. A person may not serve as a director of the Company if any of the following circumstances applies:

(I) persons who have no or restricted capacity for civil conduct;

(II) persons who were sentenced to criminal punishment due to corruption, bribery, embezzlement of property, misappropriation of property or disrupting the socialist market economic order, or who have been deprived of political rights due to any criminal offenses, where less than five years have lapsed since the expiration of the execution period, or who were granted probation, where less than two years have lapsed since the expiration of the probationary term;

(III) persons who served as a director, factory manager or manager of a company or an enterprise that declared insolvent and liquidated and were personally liable for the insolvency of such company or enterprise, and less than three years have lapsed since the date of completion of the insolvency and liquidation of that company or enterprise;

(IV) persons who served as the legal representative of a company or an enterprise of which the business license was revoked and was ordered to close down due to violation of laws and who was personally liable for such revocation and order, where less than three years have lapsed since the date of the revocation of the business license of that company or enterprise and was ordered to close down;

(V) persons who have a substantial amount of personal debts due and unsettled and is listed as a mala fide judgment debtor by a People's court;

(VI) persons who are penalized by CSRC to be prohibited from participating in the securities markets with a period yet to be expired;

(VII) persons who were publicly identified by a stock exchange as unsuitable for serving as a director, member of the senior management, etc., of a listed company, where the restriction period has not expired;

(VIII) other circumstances stipulated in laws, administrative regulations, departmental rules, or the securities regulatory rules of the places where the shares of the Company are listed.

If the election or appointment of a director has violated this article, such election, appointment or employment shall be invalid. If any of above circumstances occurs during the period of employment of a director, the Company shall dismiss the director from his duties and cease his performance of duties.

The directors shall comply with laws, administrative regulations, the securities regulatory rules of the places where the shares of the Company are listed and the Articles of Association and bear the fiduciary obligations towards the Company, and shall take measures to avoid conflicts between their own interests and the Company's interests, and shall not use their position and power to seek improper benefits. The directors shall bear the following fiduciary obligations towards the Company:

(I) not to misappropriate the property of the Company and not to misappropriate the funds of the Company;

(II) not to deposit the Company's assets or funds in an account opened in his/her own name or in the name of any other individual;

(III) not accept any bribery or other illegal income by using his/her position and power;

(IV) not directly or indirectly enter into any contract or perform any transaction with the Company without reporting to the board of directors or the shareholders' meeting and obtaining approval through a resolution of the board of directors or the shareholders' meeting in accordance with the provisions of the Articles of Association;

(V) not make use of his position to procure business opportunities that should otherwise belong to the Company for himself or others, except when having reported to the board of directors or the shareholders' meeting and approved by a resolution of the shareholders' meeting, or except that the Company is unable to utilize such business opportunity according to the provisions of laws, administrative regulations, the securities regulatory rules of the places where the shares of the Company are listed or the Articles of Association;

(VI) not engage in the same business as the Company for his own account or for the benefits of any other persons without reporting to the board of directors or the shareholders' meeting and obtaining approval through a resolution of the shareholders' meeting;

(VII) not accept commissions from transactions between others and the Company for their own benefit;

(VIII) not disclose confidential information of the Company without authorization;

(IX) not abuse his connected relationship to compromise the interests of the Company;

(X) other fiduciary obligations stipulated by laws, administrative regulations, departmental rules, securities regulation rules of the places where the shares of the Company are listed and the Articles of Association.

Income generated by a director in violation of the preceding provisions shall belong to the Company; where the Company suffers losses thereto, the director shall be liable for compensation.

When close relatives of directors and members of the senior management, enterprises directly or indirectly controlled by directors, members of the senior management or their close relatives, and other related parties having other affiliations with directors or members of the senior management enter into contracts or conduct transactions with the Company, the provisions of preceding paragraph shall apply.

Directors shall abide by laws, administrative regulations, securities regulation rules of the places where the shares of the Company are listed and the Articles of Association, and shall bear the duty of diligence towards the Company, and in performing their duties, shall exercise the reasonable care normally expected of a manager for the best interests of the Company. Directors shall bear the following duty of diligence towards the Company:

(I) shall exercise the rights conferred by the Company prudently, seriously and diligently to ensure that the commercial activities of the Company comply with the national laws, administrative regulations and the requirements of various economic policies of PRC, and the commercial activities shall not go beyond the scope of the business stipulated in the business license;

(II) to treat all shareholders fairly;

(III) to maintain a timely awareness of the operation and management of the Company;

(IV) to sign written confirmation on the regular reports of the Company and to ensure the information disclosed by the Company is true, accurate and complete;

(V) to provide relevant information and materials to the Audit Committee truthfully, and shall not obstruct the exercise of powers by the Audit Committee;

(VI) other duty of diligence stipulated by laws, administrative regulations, departmental rules, securities regulation rules of the places where the shares of the Company are listed and the Articles of Association.

The Company shall establish a director departure management system to specify safeguard measures for pursuing accountability and compensation for unfulfilled public commitments and other outstanding matters. Upon the effective resignation or expiration of the term of a director, the director shall complete all handover procedures with the board of directors. The duty of loyalty owed by the director to the Company and shareholders shall not be automatically terminated upon the end of the term and shall remain valid for three years thereafter. A director's liabilities arising from the performance of duties during the term of office shall not be exempted or terminated due to departure.

Board of Directors

The Company shall have a board of directors composed of eleven directors, including one chairman, one vice chairman, one employee representative director, and four independent directors (one of whom shall be an accounting professional). The chairman and vice chairman shall be elected by a majority vote of all directors.

The board of directors shall exercise the following functions and powers:

(I) to convene shareholders' meetings and submit work reports to the shareholders' meetings;

(II) to implement resolutions of the shareholders' meetings;

(III) to determine the business plans and investment plans of the Company;

(IV) to formulate the Company's profit distribution plan and loss recovery plan;

(V) to formulate plans for the Company for increase or reduction of registered capital, issuance of bonds or other securities, and listing;

(VI) to formulate plans for major acquisitions of the Company, the acquisition of the Company's shares under the circumstances specified in items (I) and (II) of Article 25 of the Articles of Association, or the merger, division, dissolution, or change of the Company's corporate form; and to consider and approve resolutions regarding the Company's repurchase of its own shares under the circumstances specified in items (III), (V), and (VI) of Article 25 of the Articles of Association.

(VII) within the scope authorized by the shareholders' meeting, decide on matters such as the Company's external investment, acquisition and sale of assets, asset pledges, external guarantees, entrusted financial management, related transactions and external donations;

(VIII) to decide on the establishment of the Company's internal management body;

(IX) to decide on the appointment or dismissal of the Company's chief executive officer, secretary to the board of directors and other members of the senior management, and decide on the matters in relation to their remuneration, rewards and punishments; decide on the appointment or dismissal of the Company's executive president, vice president, financial controller and other members of the senior management based on the nomination of the chief executive officer, and decide on matters in relation to their remuneration, reward and punishment;

(X) to formulate the Company's basic management system;

(XI) to formulate proposed amendments to the Articles of Association;

(XII) to manage the Company's information disclosure matters;

(XIII) to make proposal to the shareholders' meeting on the engagement or change of the accounting firm performing audits for the Company;

(XIV) to listen to the work reports from the chief executive officer of the Company and review the work of the chief executive officer;

(XV) other powers conferred by laws, administrative regulations, departmental rules, securities regulation rules of the places where the shares of the Company are listed and the Articles of Association.

Matters exceeding the scope of the authority of the shareholders' meeting and the Articles of Association shall be submitted to the shareholders' meeting for consideration.

The chairman of the board of directors shall exercise the following functions and powers:

(I) Preside over the shareholders' meetings and convene and preside over the board meetings;

(II) Supervise and inspect the implementation of resolutions of the board of directors;

(III) Other powers conferred by the board of directors.

The vice-chairman of the Company shall assist the chairman of the board of directors in his work. If the chairman of the board of directors is unable to perform his duties or fails to perform his duties, the vice-chairman shall perform his duties; if the vice-chairman is unable to perform his duties or fails to perform his duties, one director jointly nominated by more than half of the directors shall perform his duties.

The board of directors shall convene at least four meetings every year, approximately once per quarter, and shall notify all directors in writing 14 days prior to the meeting.

Shareholders representing more than one-tenth of the voting rights, and more than one-third of the directors or the Audit Committee may propose to convene an extraordinary meeting of the board of directors. The chairman of the board of directors shall convene and preside over a board meeting within ten days after receiving the proposal.

A notice for an extraordinary board meeting shall be given by personal delivery, mail, facsimile or email, and shall be provided at least 5 days prior to the meeting. In case of urgency, such notice may be given by telephone, in which case the time requirement for the notice shall not apply, provided that the convener shall provide an explanation at the meeting.

The board meeting shall be held only when more than half of the directors are present. Resolutions made by the board of directors must be passed by more than half of all directors.

Resolutions of the board of directors are voted by way of poll with each director having one vote.

If any director is related to the enterprise or individual involved in the resolution at a board meeting, the said director shall promptly report to the board of directors in writing. The director with a related party relationship shall not exercise his voting rights on the said resolution for himself or on behalf of another director. Such board meeting may be held when more than half of the non-related directors attend the meeting. The resolution of such board meeting shall be passed by more than half of the non-related directors. If the number of non-related directors attending the board meeting is fewer than three, the matter shall be submitted to the shareholders' meeting for consideration. Where the laws and regulations and securities regulations and rules of the places where the Company's shares are listed have any additional limitations in respect of the participation and voting by directors in board meetings, the Company shall comply with such provisions.

Directors shall attend the board meetings in person. Where a director is unable to attend a meeting for any reason, he/she may authorize another director to attend the meeting on his/her behalf in writing. The authorization letter shall set out the name of the authorized person, the matters to be authorized, scope of authorization and valid period, which shall be signed or sealed with the chop by the director who authorizes. An independent director may not appoint a non-independent director to attend the meeting on his/her behalf. The directors who attend the meeting on behalf of another director shall exercise the rights as directors within the scope of authorization. The responsibility of the director for voting matters remains even when another director represents him/her. If a director fails to attend a board meeting and does not authorize a representative to attend on his/her behalf, he/she shall be deemed to have waived his/her voting rights at such meeting.

Independent Directors

Independent directors shall, in accordance with the provisions of laws, administrative regulations, the CSRC, securities regulations and rules of the places where the Company's shares are listed, and the

Articles of Association, diligently perform their duties, play roles in participating in decision-making, providing checks and balances and offering professional consultation within the board of directors, safeguard the interests of the Company as a whole, and protect the legitimate rights and interests of small and medium shareholders.

The Company shall establish a mechanism for special meetings composed entirely of independent directors. Where the board of directors deliberates related-party transactions and other matters, prior consent shall be obtained through such special meetings of independent directors.

The Company shall convene special meetings of independent directors on a regular or ad hoc basis. The matters listed in items (I) to (III) under the first paragraph of Article 130 and in Article 131 of the Articles of Association shall be reviewed at such special meetings of independent directors.

Special meetings of independent directors may also, as needed, study and discuss other matters of the Company.

A convenor and chairperson for a special meeting of independent directors shall be jointly elected by more than half of all independent directors. If the convenor fails or is unable to perform his or her duties, two or more independent directors may convene the meeting themselves and elect a representative to preside.

Minutes shall be prepared for special meetings of independent directors in accordance with the relevant requirements, and the opinions of independent directors shall be clearly recorded in the minutes. Independent directors shall sign to confirm the minutes.

The Company shall provide convenience and support for the convening of special meetings of independent directors.

Special Committees of the Board of Directors

The board of directors of the Company shall establish an Audit Committee, which shall exercise the powers and functions of a board of supervisors as prescribed by the Company Law, as well as those prescribed by the securities regulatory rules of the place where the Company's shares are listed. The Audit Committee shall consist of three to five non-executive directors who do not hold any senior management positions within the Company. A majority of its members shall be independent directors (including at least one independent director who is an accounting professional). None of the members shall maintain any relationship with the Company that may affect their independent and objective judgment. The convener of the Audit Committee shall be an independent director who is an accounting professional. At least one independent director must possess appropriate professional qualifications as required by the securities regulatory rules of the place where the Company's shares are listed, or possess appropriate accounting or related financial management expertise.

The board of directors of the Company shall establish the special committees such as the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, which shall perform their duties in accordance with the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association and the authorization of the board of directors. Proposals made by these special committees shall be submitted to the board of directors for consideration and decision. The terms of reference of these special committees shall be formulated by the board of directors.

Independent directors shall constitute a majority in the Nomination Committee and the Remuneration and Appraisal Committee. The Nomination Committee shall include at least one director of a different gender. The Nomination Committee shall be convened by an independent director or the Chairman of the Board, while the Remuneration and Assessment Committee shall be convened by an independent director.

SENIOR MANAGEMENT MEMBERS

The Company shall have one chief executive officer, who shall be appointed or dismissed by the board of directors. The Company shall have vice presidents, who shall be appointed or dismissed by the board of directors.

The provisions in the Articles of Association in relation to the circumstances under which a person may not serve as a director and the resignation management system shall apply to the senior management members. The provisions in the Articles of Association regarding the fiduciary duties of directors and the duty of diligence of directors shall apply to the senior management members.

The chief executive officer is responsible to the board of directors and exercises the following powers:

(I) To be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the board of directors and report on works to the board of directors;

(II) To organize and implement the Company's annual business plan and investment proposals;

(III) To draft plans for the establishment of the Company's internal management organizations;

(IV) To draft the fundamental management system of the Company;

(V) To formulate specific rules and regulations for the Company;

(VI) To propose to the board of directors on the appointment or dismissal of vice president, and financial controller of the Company;

(VII) To decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the board of directors;

(VIII) Other functions and powers conferred by the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association or the board of directors.

The chief executive officer shall attend the board meetings.

The Company shall be liable for damages caused to any third party by its senior management personnel in the course of performing their corporate duties. Where such senior management personnel are found to have acted with willful misconduct or gross negligence, they shall also be liable for compensation. If senior management personnel cause losses to the Company by violating laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed, or the provisions of these Articles of Association while performing their duties, they shall be liable for compensation to the Company.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting System

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations, securities regulations and rules of the places where the Company's shares are listed and the provisions stipulated by the relevant authorities of the PRC.

The Company shall submit and disclose its annual reports to the relevant branch office of the CSRC and the stock exchange of the place where the shares of the Company are listed within four months from the end of each fiscal year, and its interim reports to the relevant branch office of the CSRC and the stock exchange of the place where the shares of the Company are listed within two months from the end of the first half of each fiscal year.

The above annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations, departmental rules and securities regulations and rules of the places where the Company's shares are listed.

The Company will not establish account books other than the statutory account books. The assets of the Company shall not be deposited in any personal account.

The Company is required to allocate 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph.

Subject to a resolution of the shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may also draw the discretionary reserve fund from the after-tax profits.

After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings, unless otherwise provided in these Articles of Association.

Where the shareholders' meeting distributes profits to shareholders in violation of the Company Law, the shareholders shall return the profits so distributed in breach of regulations to the Company; if losses are caused to the Company, the shareholders and the directors and senior management members who are responsible shall bear liability for compensation.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The Company's common reserve shall be used to cover losses of the Company, expand the Company's production and operations, or be converted into additional registered capital of the Company.

The company's capital reserve is used to cover losses, expand production and operations, or increase the company's capital. However, the capital reserve is not used to cover losses. When the statutory provident fund is converted into capital, the retained provident fund shall not be less than 25% of the registered capital of the Company before the conversion.

The Company's board of directors must complete the distribution of dividends (or shares) within two months after the meeting of shareholders has approved the profit distribution plan, or after the board has formulated a specific plan in accordance with the conditions and caps for interim dividends for the following year approved at the annual meeting. Except under special circumstances, the company shall pay cash dividends of no less than 10% of the distributable profits recorded in the fiscal year.

The Company's profit distribution shall balance the provision of reasonable investment returns to investors with the Company's sustainable development. The profit distribution policy shall maintain continuity and stability.

Profit distribution may be made in the form of cash, shares, or a combination of cash and shares, with cash dividends being the preferred method.

Internal Audit

The Company has implemented an internal audit system, which shall specify the leadership structure, responsibilities and authorities, staffing, funding safeguards, utilization of audit results, and accountability mechanisms for internal audit work.

The internal audit system of the Company shall be implemented upon approval by the board of directors and shall be disclosed externally.

The internal audit department of the Company shall be supervised and inspected the Company's business activities, risk management, internal controls and financial information.

Appointment of Accounting Firm

The Company shall appoint such accounting firm which has complied with the Securities Law and securities regulations and rules of the places where the Company's shares are listed for carrying out the audit for the accounting statements, net asset verification and other relevant consultancy services. The term of appointment is one year and can be re-appointed.

The appointment and removal of accounting firm by the Company shall be subject to the approval of the shareholders' meeting. The board of directors may not appoint accounting firm before the approval of the shareholders' meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The audit fees of an accounting firm shall be determined at the shareholders' meeting.

If the Company removes or no longer re-appoints the accounting firm, it shall notify such accounting firm 10 days in advance. When shareholders vote for the removal of such accounting firm, such accounting firm shall be entitled to state its opinions at the shareholders' meeting.

If any accounting firm offers to resign, it shall explain to the shareholders' meeting whether the Company has engaged in any misconduct.

MERGER, SPIN-OFF, CAPITAL INCREASE AND REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Spin-off, Capital Increase and Reduction

Corporate merger may take the form of merger by absorption or by establishment. Merger by absorption refers to a company absorbing another company, in which the company being absorbed shall be dissolved. Merger by establishment refers to the establishment of a new company by merging two or more companies, whereby the merging parties shall be dissolved.

Where the consideration for a merger does not exceed 10% of the Company's net assets, it may be approved without a resolution of the shareholders' meeting, except as otherwise provided in the Articles of Association. If the Company proceeds with a merger without a resolution of the shareholders' meeting in accordance with the preceding paragraph, it shall be approved by a resolution of the board of directors.

In the event of any merger involving the Company, the Company shall enter into a merger agreement with other parties involved and prepare a balance sheet and a list of assets. The Company shall notify its creditors within 10 days after the adoption of the relevant resolution and publish announcements in the newspapers designated by the Company or on the National Enterprise Credit Information Publicity System within 30 days. The creditors may request the Company to discharge its obligations or offer appropriate security within 30 days after receiving such notice, or if they fail to receive such notice, within 45 days after the publication of such announcement.

In the event of any merger involving the Company, the surviving company or the newly established company shall assume all claims and debts of the parties involved in such merger.

In the event of any spin-off of the Company, its assets shall be divided accordingly. In the event of any spin-off of the Company, the Company shall prepare a balance sheet and a list of assets, notify its creditors within 10 days from the date of the resolution of spin-off and publish announcements in the newspapers designated by the Company or on the National Enterprise Credit Information Publicity System within 30 days.

Unless otherwise agreed by the Company and its creditors in writing prior to such spin-off with respect to the discharge of obligations, the company spun off from the Company shall be jointly and severally liable for the obligations of the Company prior to such spin-off.

The Company shall prepare a balance sheet and a list of assets on the reduction of its registered capital. The Company shall notify its creditors within 10 days after the adoption of the relevant resolution on the reduction of the registered capital at the shareholders' meeting and publish announcements in the newspapers designated by the Company or on the National Enterprise Credit Information Publicity System within 30 days. The creditors may request the Company to discharge its obligations or offer appropriate security within 30 days after receiving such notice, or if they fail to receive such notice, within 45 days after the publication of such announcement.

Where the Company reduces its registered capital, it shall reduce the capital contributions or shares held by shareholders proportionately according to their shareholding, except as otherwise provided by law, securities regulations and rules of the places where the Company's shares are listed or the Articles of Association.

When the Company issues new shares to increase its registered capital, shareholders shall not have pre-emptive rights, except as otherwise provided in the Articles of Association or if a resolution is passed at the shareholders' meeting granting shareholders such pre-emptive rights.

Where the merger or spin-off of the Company results in a change in its registered particulars, such change shall be registered with the company registry according to law. Where the Company is dissolved, it shall cancel its registration according to law. Where a new company is established, its establishment shall be registered according to law. Any increase or reduction of the registered capital of the Company shall be registered with the company registry according to law.

Dissolution and Liquidation

The Company shall be dissolved for the following reasons:

(I) Expiry of term of business stipulated in the Articles of Association or occurrence of any other trigger for dissolution stipulated in the Articles of Association;

(II) The shareholders' meeting adopts a resolution to dissolve;

(III) The Company needs to be dissolved for the purpose of merger or division;

(IV) The business license is revoked, or the Company is ordered to close or be eliminated according to applicable law;

(V) Where the Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of voting rights of the Company's shareholders may request the people's court to dissolve the Company.

If dissolution causes stipulated in the preceding paragraph occur, the Company shall publicize the dissolution causes through the National Enterprise Credit Information Publicity System within ten days.

Under the circumstance set out in item (I) above and assets have not yet been distributed to the shareholders, the Company may continue its operation by amending the Articles of Association or resolution of the shareholders' meeting. Any amendment to the Articles of Association or resolution of the shareholders' meeting pursuant to the foregoing provision shall be subject to approval of two thirds or more of the votes held by the shareholders present at the shareholders' meeting.

Where the Company is dissolved under the circumstances set out in items (I), (II), (IV) and (V) above, it shall be liquidated. The directors shall be the liquidation obligors of the Company and the liquidation committee shall be established within 15 days from the date of the event leading to liquidation. The personnel of the liquidation committee shall consist of directors, except where otherwise provided in the Articles of Association or otherwise selected by the resolution at the shareholders' meeting. If a liquidation obligor fails to promptly perform his/her liquidation obligations, causing losses to the Company or creditors, such obligor shall be liable for compensation.

Within 10 days of the establishment of the liquidation committee, the creditors shall be notified and an announcement shall be published in the newspapers designated by the Company or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall declare their claims to the liquidation committee within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received.

Creditors who declare claims shall state relevant issues related to the claims and provide proofs. The liquidation committee shall carry out registration of the claims.

During the period for declaration of claims, the liquidation committee shall not make any repayment to the creditors.

After the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a list of assets, it shall formulate a liquidation proposal and submit it to the shareholders' meeting or the people's court for confirmation.

The remaining assets of the Company after paying the costs of liquidation, the employees' salaries, social insurance contributions and legal compensation, taxes and debts of the Company shall be distributed to the shareholders in proportion to their respective shareholding.

During the period of liquidation, the Company shall not engage in any business activity except for those relating to the liquidation. Before liquidation as specified in the preceding paragraphs, the assets of the Company shall not be distributed to shareholders.

In the event the liquidation committee finds that, after taking stock of the Company's property and preparing the balance sheet and list of property, that the assets are insufficient to pay the debts, it shall apply to the people's court for bankruptcy liquidation according to the law.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

(I) Following the revision of the Company Law or relevant laws and administrative regulations or securities regulations and rules of the places where the Company's shares are listed, the matters stipulated in the Articles of Association contradict the provisions of the revised laws and administrative regulations or securities regulations and rules of the places where the Company's shares are listed;

(II) There is any change to the Company's particulars which result in inconsistency with the matters set out in the Articles of Association;

(III) A shareholders' meeting has decided on making amendments to the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the shareholders' meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made in accordance with the law.

The board of directors shall amend the Articles of Association in accordance with the resolutions of the shareholders' meeting and the comments of the competent authorities on any amendment hereto.

Any amendment to the Articles of Association shall be subject to announcement if so required by the laws and regulations.

FURTHER INFORMATION ABOUT THE GROUP

Incorporation

The Company was established as a limited liability company under the laws of the PRC on October 28, 1998 and was converted into a joint stock company with limited liability on December 24, 2007.

The Company has established a principal place of business in Hong Kong at Room 1919, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on November 11, 2025, with Mr. Tsang Chun Ho appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in "Regulatory Overview" and "Appendix III – Summary of the Articles of Association" in this document, respectively.

Changes in the Share Capital of the Company

On August 30, 2024, the total issued share capital of the Company decreased from RMB1,709,867,327 comprising 1,709,867,327 A Shares to RMB1,705,913,710 comprising 1,705,913,710 A Shares upon the repurchase and cancelation of 3,953,617 A Shares relating to the ungranted shares under the employee incentive scheme.

On June 27, 2025, the total issued share capital of the Company increased from RMB1,705,913,710 comprising 1,705,913,710 A Shares to RMB1,831,607,532 comprising 1,831,607,532 A Shares upon the placement on June 27, 2025.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

Resolutions of the Shareholders

At the extraordinary general meeting of the Shareholders held on November 3, 2025, the following resolutions, among other things, were duly passed:

(i) the issue by the Company of the H Shares with a nominal value of RMB1.00 each and such H Shares be **[REDACTED]** on the Stock Exchange;

(ii) the number of the H Shares to be issued shall be no more than **[REDACTED]** of the total issued share capital of the Company as enlarged by the **[REDACTED]**, and the grant of the **[REDACTED]** in respect of no more than **[REDACTED]** of the number of the H Shares issued pursuant to the **[REDACTED]**;

(iii) authorization of the Board or its authorized individuals to handle all matters relating to, among other things, the **[REDACTED]**, the issue and **[REDACTED]** of the H Shares on the Stock Exchange; and

(iv) subject to the completion of the **[REDACTED]**, the conditional adoption of the revised Articles of Association, which shall become effective on the **[REDACTED]**, and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules.

Subsidiaries of the Company

A summary of the corporate information and the particulars of the Company's primary subsidiaries are set out in Note 17 to the Accountant's Report as set out in Appendix IA.

- On July 25, 2024, the registered capital of MFLEX Yancheng increased from USD204,990,000 to USD234,990,000. On June 26, 2025, the registered capital of it further increased from USD234,990,000 to USD254,990,000.

- On November 28, 2024, the registered capital of Yancheng Dongchuang Precision Manufacturing Co., Ltd. (鹽城東創精密製造有限公司) increased from RMB300,000,000 to RMB500,000,000.

Save as disclosed above, there has been no alteration in the share capital of the major subsidiaries of the Company within two years immediately preceding the date of this document.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) **[REDACTED]**

Intellectual Property

As of the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

Trademarks

As of the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date (yyyy-mm-dd)
1	dsbj	40	The Company	The PRC	44182615	2030-10-27
2	dsbj	9	The Company	The PRC	44182778	2030-10-27
3	dsbj	7	The Company	The PRC	44188555	2030-10-27
4	dsbj	38	The Company	The PRC	44192441	2030-10-27
5	dsbj	37	The Company	The PRC	44195716	2030-11-06
6	东山精密	6	The Company	The PRC	44192559	2031-01-27
7	东山精密	7	The Company	The PRC	44188552	2031-04-20
8	东山精密	9	The Company	The PRC	44197696	2031-01-27

Domain Names

As of the Latest Practicable Date, the Group had registered the following domain names which are material to its business:

No.	Domain Name	Registered Owner	Expiry Date (yyyy-mm-dd)
1.	sz-dsbj.com	The Company	2027-04-12
2.	dsbj.com	The Company	2029-03-25
3.	mflex.com.cn	MFLEX Suzhou	2031-05-19
4.	m-flex.com.cn	MFLEX Suzhou	2030-12-12
5.	mflex.cn	MFLEX Suzhou	2031-05-19
6.	bsjx-dsbj.com	Yancheng Dongchuang	2028-08-31
7.	www.sourcephotonics.com	Source Photonics Chengdu	2028-07-05

Patents

As of the Latest Practicable Date, the Group had registered the following patents which are material to its business:

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Expiry Date (yyyy-mm-dd)
1	ONCELL Liquid Crystal Display Control Circuit and ONCELL Liquid Crystal Display Control Module (—種ONCELL液晶顯示控製電路及ONCELL液晶顯示控製模組)	Invention	The Company	The PRC	ZL201810498999.5	2038-05-22
2	Method for Improving Blind Hole Air Bubble Defects in Full-Lamination of Touchscreen Displays for Mobile Phones (—種改善盲孔類手機觸控顯示屏全貼合盲孔氣泡不良方法)	Invention	The Company	The PRC	ZL202111600132.4	2041-12-23
3	Display Panel IC Packaging Structure for Thermal Stress Resistance (—種顯示面板 IC封裝防溫衝應力結構)	Utility	The Company	The PRC	ZL202023006364.0	2030-12-14
4	Novel Polariser and Full-Screen Display (新型的偏光片及全面顯示屏)	Utility	The Company	The PRC	ZL201920239003.9	2029-02-25
5	An Ultra-Thin Flexible Touch Screen and Its Preparation Method (一種超薄柔性觸摸屏及其製備方法)	Invention	Mutto Optronics	The PRC	ZL202210327203.6	2042-03-29

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Expiry Date (yyyy-mm-dd)
6	Touchscreen Sensor Integrating FPC Flexible Circuit, Touchscreen and Method for Preparing the Same (集成FPC柔性線路的觸摸屏sensor、觸摸屏及其製備方法)	Invention	Mutto Optronics	The PRC	ZL202210298769.0	2042-03-23
7	A Touchscreen Display Without Etched Patterns and Its Manufacturing Method (一種無蝕刻紋的觸控顯示屏及其製造方法)	Invention	Mutto Optronics	The PRC	ZL202110987884.4	2041-08-25
8	A Metal Mesh Touch Display Screen and Its Manufacturing Method (一種金屬網格觸控顯示屏及其製作方法)	Invention	Mutto Optronics	The PRC	ZL202110896228.3	2041-08-04
9	Pre-curved Laminating Method for Curved Touch Screens (曲面觸摸屏的預彎曲貼合方法)	Invention	Mutto Optronics	The PRC	ZL201510144940.2	2035-03-30
10	Capacitive Touch Screen and Method for Preparing the Same (一種電容式觸摸屏及其製備方法)	Invention	Suzhou Display	The PRC	ZL201810787388.2	2038-07-17
11	Method for Detecting Copper Thickness in Holes on Flexible Printed Circuits (柔性線路板上孔銅厚度的檢測方法)	Invention	MFLEX Yancheng	The PRC	ZL202210799003.0	2042-07-05
12	Method for Fabricating Fine Outer Layer Circuits on Flexible Printed Circuits (一種柔性線路板外層細線路的製作方法)	Invention	MFLEX Yancheng	The PRC	ZL202210141512.4	2042-02-15
13	An SMT Production Line (一種SMT生產線)	Invention	MFLEX Yancheng	The PRC	ZL202210350046.0	2042-04-01
14	Repeatedly Retractable Flexible Printed Circuit Board and Method of Manufacturing the Same (可重復伸縮的柔性線路板及其製作方法)	Invention	MFLEX Yancheng	The PRC	ZL202310411595.9	2043-04-17

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Expiry Date (yyyy-mm-dd)
15	An Automatic Electrical Testing Device (一種自動電測設備)	Invention	MFLEX Yancheng	The PRC	ZL202210207390.4	2042-03-03
16	Flexible Printed Circuit Board with Gold Finger Pull Tab and Method of Manufacturing the Same (具有金手指拉環的柔板及其製作方法)	Invention	MFLEX Yancheng	The PRC	ZL202210505963.1	2042-05-09
17	Method, System, Apparatus and Storage Medium for Compensating Etched Circuits on Flexible Printed Circuits (柔性線路板蝕刻線路補償方法、系統、裝置及存儲介質)	Invention	MFLEX Suzhou, MFLEX Yancheng	The PRC	ZL202410941006.2	2044-07-14
18	Method, System, Apparatus and Storage Medium for Anomaly Detection in Flexible Printed Circuit Board Production Lines (柔板產線異常檢測方法、系統、裝置和存儲介質)	Invention	MFLEX Suzhou, MFLEX Yancheng	The PRC	ZL202410532832.1	2044-04-29
19	Gold Finger Protective Film Roll Material and Flexible Printed Circuit Board Based Thereon, and Method for Manufacturing the Same (金手指保護膜捲料和基於保護膜的柔板及其製作方法)	Invention	MFLEX Suzhou, MFLEX Yancheng	The PRC	ZL202410468376.9	2044-04-17
20	Flexible Printed Circuit Board with Pressure-Sensitive Functional Unit and Method for Its Manufacture (具有壓敏功能單元的柔性線路板及其製作方法)	Invention	MFLEX Suzhou, MFLEX Yancheng	The PRC	ZL202311408203.X	2043-10-26
21	Dual-Channel Filter Rapid Maintenance Device (雙通道過濾器快速維護裝置)	Utility	Yancheng Dongchuang	The PRC	ZL202322211859.4	2033-08-16
22	A Battery End Cap Bursting Device (一種電池端蓋爆破裝置)	Utility	Yancheng Dongchuang	The PRC	ZL202322211854.1	2033-08-16

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Expiry Date (yyyy-mm-dd)
23	A CNC Machining Fixture for High-Precision Heat Sink Die-Castings (一種高精密散熱片壓鑄件CNC加工治具)	Utility	Yancheng Dongchuang	The PRC	ZL202221239243.7	2032-05-22
24	Punching Die for Thin-Walled Die-Cast Flat Components (平板類薄壁壓鑄件衝切模具)	Utility	Yancheng Dongchuang	The PRC	ZL202122988149.3	2031-11-30
25	An Automatic Sandpaper Replacement Mechanism for an Aluminium Alloy Finished Product Polishing Bench (一種鋁合金成品打磨台的砂紙自動更換機構)	Utility	Yancheng Dongchuang	The PRC	ZL202122991279.2	2031-11-30
26	A Universal Ball Rotation Fixture (一種萬向球旋轉工裝)	Utility	Suzhou Dongyue	The PRC	ZL202321709969.7	2033-07-02
27	A Flip Mechanism for the Lower Support Plate of a Vehicle Battery Cover (一種汽車電池蓋下托板翻轉機構)	Utility	Suzhou Dongyue	The PRC	ZL202320072418.8	2033-01-09
28	A Die-Cast Automotive Radiator Structure (一種壓鑄式汽車散熱器結構)	Utility	Suzhou Dongyue	The PRC	ZL202223285081.3	2032-12-07
29	An Automatic Glue Dispensing Structure for Copper Blocks (一種銅塊自動出膠結構)	Utility	Suzhou Dongyue	The PRC	ZL202223565419.0	2032-12-29
30	A Welding Induction Device (一種焊接感應裝置)	Utility	Suzhou Dongyue	The PRC	ZL202123112551.1	2031-12-12
31	Narrow-Bandwidth Beam Splitting Device for Demultiplexing, Optical Module, and Light Splitting Method (用於解複用的窄頻寬分束器件及光模組、分光方法)	Invention	Source Photonics Chengdu	The PRC	ZL202111091867.9	2041-09-16

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Expiry Date (yyyy-mm-dd)
32	An Automatic Current Control Method and System for Semiconductor Optical Amplifier (SOA) Integrated in an Optical Module (一種集成於光模組的 SOA 電流自動控制方法和系統)	Invention	Source Photonics Chengdu	The PRC	ZL202110394173.6	2041-04-12
33	A TO-Can Package Assembly, Transmitter Optical Subassembly (TOSA), and Optical Module (一種 TO 封裝模組、發射元件及光模組)	Invention	Source Photonics Chengdu	The PRC	ZL202110379478.X	2041-04-07

Copyrights

As of the Latest Practicable Date, the Group had registered the following copyrights which are material to its business:

No.	Copyright Name	Registrant	Registration Number	Date of Initial Publication (yyyy-mm-dd)
1	Mutto Optronics Curved Touch Screen Production and Processing Control System (牧東光電曲面觸摸屏生產加工管控系統)	Mutto Optronics	2020SR1833273	2019-06-25
2	Mutto Optronics Material Traceability Management System Software (牧東光電物料追溯管理系統軟件)	Mutto Optronics	2020SR1833195	2020-05-31
3	Mutto Optronics Intelligent Data Collection System Software (牧東光電智能數據採集系統軟件)	Mutto Optronics	2020SR1833194	2020-03-15
4	Mutto Optronics Curved Touch Screen R&D Progress Management System (牧東光電曲面觸摸屏研發進度管理系統)	Mutto Optronics	2020SR1833262	2019-01-20
5	Reliability Test Management System (信賴性試驗管理系統)	Suzhou Display	2024SR0511262	2024-02-01
6	Dual-Channel Leisai Board Flying Scan Code Software (雙通道雷賽板卡飛拍掃碼軟件)	MFLEX Yancheng	2025SR0384307	N/A
7	GUGAO Pulse Three-Axis Laser Software (固高脈衝三軸激光軟件)	MFLEX Yancheng	2024SR1895858	N/A
8	Flip-Over Machine Vision Recognition Software (翻盤機視覺識別軟件)	MFLEX Yancheng	2024SR1893387	N/A
9	Three-Axis Universal Laser Software (三軸通用激光軟件)	MFLEX Yancheng	2024SR1895223	N/A
10	Dual-Channel Flying Camera Decoding Software (雙通道飛拍解碼軟件)	MFLEX Yancheng	2024SR1898968	N/A
11	Manufacturing Execution System (製造執行系統)	The Company	2022SR0382745	N/A
12	Dongshan Precision Display Screen Control Playback Software (東山精密顯示屏控製播放軟件)	The Company	2016SR002543	2015-08-12
13	A High-Reliability Dynamic APC Compensation Algorithm Software(一種高可靠性的動態APC 補償演算法軟件)	Source Photonics Chengdu	2010SR074774	N/A

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors and Chief Executive of the Company

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying shares or debentures of any of the associated corporations of the Company (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the H Shares are **[REDACTED]** on the Stock Exchange, will be as follows:

(i) Interests in the Company

Name of Director or chief executive	Nature of interest	Number and description of Shares or underlying Shares held	Shareholding in A Shares upon completion of the [REDACTED](1)	Shareholding in total issued share capital upon completion of the [REDACTED](1)
Mr. Yuan Yonggang(2)	Beneficial interest	302,781,254 A Shares	16.53%	**[REDACTED]**%
Mr. Yuan Yongfeng(2)	Beneficial interest	247,526,917 A Shares	13.51%	**[REDACTED]**%
Mr. Shan Jianbin	Beneficial interest	553,700 A Shares	0.03%	**[REDACTED]**%
Mr. Wang Xu	Beneficial interest	560,000 A Shares	0.03%	**[REDACTED]**%
Ms. Mao Xiaoyan	Beneficial interest	391,600 A Shares	0.02%	**[REDACTED]**%
Mr. Ma Liqiang	Beneficial interest	3,000 A Shares	0.0001%	**[REDACTED]**%

Notes:

(1) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) As of the Latest Practicable Date, Mr. Yuan Yonggang pledged 104,828,000 A Shares and Mr. Yuan Yongfeng pledged 56,883,800 A Shares to certain PRC securities companies regulated by the CSRC. For details, see "Substantial Shareholders — Share Pledges by Mr. Yuan Yonggang and Mr. Yuan Yongfeng."

(ii) Interests in the associated corporations of the Company

So far as the Directors are aware, immediately following the completion of the **[REDACTED]**, no Directors or the chief executive will, directly or indirectly, be interested in the Shares, underlying Shares and debentures of the Company or the shares, underlying shares or debentures of any of the associated corporations of the Company.

Disclosure of Interests of Substantial Shareholders

(i) Interests in the Company

Save as disclosed in "Substantial Shareholders" in this document and "– Disclosure of Interests of Directors and Chief Executive of the Company – (i) Interests in the Company" in this section, the Directors are not aware of any person who will have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Interests in other member of the Group

Member of the Group	Name of substantial shareholder	Approximate percentage of the issued voting shares held by the substantial shareholder
Suzhou Jebson Intelligent Technology Co., Ltd. (蘇州捷佈森智能科技有限公司)	Zhu Wenbing (朱文兵)	49.00%
Suzhou Dongdai Electronic Technology Co., Ltd. (蘇州東岱電子科技有限公司)	Qian Baolong (錢寶龍)	30.33%
	Chen Limin (陳利民)	18.67%
Shenzhen Qin Tao Dongchuang Investment Partnership (Limited Partnership) (深圳市勤道東創投資合夥企業（有限合夥）)	Pingxiang Qin Tao Xin Equity Investment Fund Center (Limited Partnership) (萍鄉市勤道鑫控股權投資基金中心（有限合夥）)	20.77%
Source Jiangsu	Zhuhai Hengqin Anshi Information Consulting Partnership (Limited Partnership) (珠海横琴安實信息咨詢合伙企業(有限合夥))	10.00%
Chengdu Antong Semiconductor Co., Ltd. (成都安瞳半導體有限公司)	Zhuhai Hengqin Ancong Information Consulting Partnership (Limited Partnership) (珠海横琴安聰信息咨詢合伙企業(有限合夥))	26.95%
	Kunshan Qi Village Investment Center (L.P) (昆山啓村投資中心(有限合夥))	13.20%

Save as disclosed above, the Directors are not aware of any person who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

FURTHER INFORMATION ABOUT THE DIRECTORS

Particulars of the Service Contracts

Each of the Directors [has entered] into a service contract with the Company. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service contract with any member of the Group (excluding contracts expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

Remuneration of Directors

For details of the remuneration of Directors, see "Directors and Senior Management – Remuneration" and Note 10 in "Appendix IA – Accountants' Report of the Group."

Agency Fees or [REDACTED] Received

The **[REDACTED]** will receive an **[REDACTED]** in connection with the **[REDACTED]**, as detailed in "**[REDACTED]**." Save in connection with the **[REDACTED]**, no **[REDACTED]**, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors, promoters and experts referred to in "– Other Information – Qualifications and Consents of Experts" below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this document.

Within the two years immediately preceding the date of this document, no **[REDACTED]** has been paid or is payable for **[REDACTED]**, agreeing to **[REDACTED]**, procuring **[REDACTED]** or agreeing to procure **[REDACTED]** for any share in or debentures of the Company.

Personal Guarantees

The Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to the Group.

Disclaimers

(a) None of the Directors nor any of the experts referred to in "– Other Information – Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the **[REDACTED]**, none of the Directors nor any of the experts referred to in "– Other Information – Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

(c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the **[REDACTED]** or related transactions as mentioned.

EMPLOYEE STOCK OWNERSHIP PLANS

2021 Employee Stock Ownership Plan

The following is a summary of the principal terms of the 2021 Employee Stock Ownership Plan. As of the Latest Practicable Date, 119 participants actually subscribed for units representing 21,914,118 Shares of the Company. There is no outstanding Share under the 2021 Employee Stock Ownership Plan as of the Latest Practicable Date. The terms of the 2021 Employee Stock Ownership Plan are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant or subscription of Shares after the **[REDACTED]**.

(i) Purpose

The purpose of the 2021 Employee Stock Ownership Plan is to establish and improve the mechanism for sharing benefits between employees and stakeholders. The 2021 Employee Stock Ownership Plan is implemented to effectively align the interests of the Shareholders, the Company and the employees, and to ensure all parties to jointly focus on the Company's long-term development. The 2021 Employee Stock Ownership Plan aims to further improve corporate governance structure of the Company and to strengthen employee cohesion and enhance the Company's competitiveness, ensuring its sustained and stable growth.

(ii) Administration

The 2021 Employee Stock Ownership Plan is subject to the approval of the Shareholders' meeting, the administration of the Board and the supervision of the independent Directors of the Company.

(iii) Participants

The participants of the 2021 Employee Stock Ownership Plan include eligible (1) Directors (excluding independent Directors), supervisors and senior management of the Company; and (2) intermediate to senior management at director level or above and core personnels of the Company and its wholly-owned subsidiaries, who subscribes Shares of the Company under the plan.

Each eligible participant of 2021 Employee Stock Ownership Plan is entitled to the membership of the plan's holder's meeting ("**2021 Holder's Meeting**"), which is the supreme authority body of 2021 Employee Stock Ownership Plan.

The management committee of 2021 Employee Stock Ownership Plan ("**2021 Management Committee**") is in charge of routine supervision and management of the plan. The 2021 Management Committee shall consist of three members elected by the 2021 Holder's Meeting, who shall bear fiduciary duties to participants.

(iv) Source of funds

The source of funds for the employees to participate in the 2021 Employee Stock Ownership Plan include their lawful compensations, self-raised funds and other sources permitted by laws and regulations. The company does not provide financial assistance to employees or guarantee loans for them.

The funds to be raised under the 2021 Employee Stock Ownership Plan shall not exceed RMB250 million in total, divided into "units" for subscription and each unit is equal to RMB1.00.

(v) Lock-up Period and Duration Period

The 2021 Employee Stock Ownership Plan is subject to a 12-month lock-up period ("**2021 Lock-up Period**"), which commences upon the Company announces the registration and transferral of last subscription of Shares under the plan to the asset management plan corresponding to the 2021 Employee Stock Ownership Plan. During the Lock-up Period, no shares under the plan may be sold.

The duration period of the 2021 Employee Stock Ownership Plan ("**2021 Duration Period**") lasts for 24 months, commencing from the date on which the plan is adopted by the Shareholder's meeting. 2021 Employee Stock Ownership Plan terminates when the 2021 Duration Period ends, or on an earlier date, provided the Lock-up Period expires and all funds under the 2021 Employee Stock Ownership Plan is cash; or on a later date, subject to the 2021 Management Committee, 2021 Holder's Meeting and the Board's unanimous approval. Within the 2021 Duration Period, participants may not withdraw from the plan or use their subscribed shares for mortgage, pledge, guarantee or repayment of debt. Nor shall such shares subscribed by the participants under the 2021 Employee Stock Ownership Plan be transferred to a third party without consent of the 2021 Management Committee.

(vi) Dividend

Within the 2021 Duration Period, idle cash under the 2021 Employee Stock Ownership Plan may be distributed by the 2021 Management Committee under the authorization of 2021 Holder's Meeting after deducting relevant expenses.

Pursuant to the 2021 Employee Stock Ownership Plan, liquidation procedure shall conclude within 20 days from the expiry of 2021 Duration Period, and the 2021 Management Committee shall distribute the remaining funds under such plan on a *pro rata* basis to each participant after deducting expenses such as management fees and custodial fees.

2022 Employee Stock Ownership Plan

The following is a summary of the principal terms of the 2022 Employee Stock Ownership Plan. As of the Latest Practicable Date, 366 participants actually subscribed for units representing 4,847,178 Shares of the Company. There is no outstanding Share under the 2022 Employee Stock Ownership Plan as of the Latest Practicable Date. The terms of the 2022 Employee Stock Ownership Plan are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant or subscription of Shares after the **[REDACTED]**.

(i) Purpose

The purpose of the 2022 Employee Stock Ownership Plan is to establish and improve the mechanism for sharing benefits between employees and stakeholders. The 2022 Employee Stock Ownership Plan is implemented to effectively align the interests of the Shareholders, the Company and the employees, and to ensure all parties to jointly focus on the Company's long-term development. The 2022 Employee Stock Ownership Plan aims to further improve corporate governance structure of the Company and to strengthen employee cohesion and enhance the Company's competitiveness, ensuring its sustained and stable growth.

(ii) Administration

The 2022 Employee Stock Ownership Plan is subject to the approval of the Shareholders' meeting, the administration of the Board and the supervision of the independent Directors of the Company.

(iii) Participants

The participants of the 2022 Employee Stock Ownership Plan primarily include core management personnels and technical backbone specialists of the Company's new energy vehicle business division, who subscribes Shares of the Company under the plan. Directors, supervisors and senior management of the Company do not participate in the plan.

Each eligible participant of 2022 Employee Stock Ownership Plan is entitled to the membership of the plan's holder's meeting ("**2022 Holder's Meeting**"), which is the supreme authority body of 2022 Employee Stock Ownership Plan.

The management committee of 2022 Employee Stock Ownership Plan ("**2022 Management Committee**") is in charge of routine supervision and management of the plan. The 2022 Management Committee shall consist of five members elected by the 2022 Holder's Meeting, who shall bear fiduciary duties to participants.

(iv) Source of funds

The source of funds for the employees to participate in the 2022 Employee Stock Ownership Plan include their lawful compensations, self-raised funds and other sources permitted by laws and regulations. The company does not provide financial assistance to employees or guarantee loans for them.

The funds to be raised under the 2022 Employee Stock Ownership Plan shall not exceed RMB100 million in total, divided into "units" for subscription and each unit is equal to RMB1.00.

(v) Lock-up Period and Duration Period

The 2022 Employee Stock Ownership Plan is subject to a 12-month lock-up period ("**2022 Lock-up Period**"), which commences upon the Company announces the registration and transferral of last subscription of Shares under the plan to the asset management plan corresponding to the 2022 Employee Stock Ownership Plan. During the Lock-up Period, no shares under the plan may be sold.

The duration period of the 2022 Employee Stock Ownership Plan ("**2022 Duration Period**") lasts for 24 months, commencing from the same day as the Lock-up Period, provided that the plan is adopted by the Shareholder's meeting. 2022 Employee Stock Ownership Plan terminates when the 2022 Duration Period ends, or on an earlier date, provided the Lock-up Period expires and all assets under the 2022 Employee Stock Ownership Plan are liquidated into monetary assets; or on a later date, subject to the 2022 Management Committee, 2022 Holder's Meeting and the Board's unanimous approval. Within the 2022 Duration Period, participants may not withdraw from the plan or use their subscribed shares for mortgage, pledge, guarantee or repayment of debt. Nor shall such shares subscribed by the participants under the 2022 Employee Stock Ownership Plan be transferred to a third party without consent of the 2022 Management Committee.

(vi) Dividend

Within the 2022 Duration Period, idle cash under the 2022 Employee Stock Ownership Plan may be distributed by the 2022 Management Committee under the authorization of 2022 Holder's Meeting after deducting relevant expenses.

Pursuant to the 2022 Employee Stock Ownership Plan, liquidation procedure shall conclude within 20 days from the expiry of 2022 Duration Period, and the 2022 Management Committee shall distribute the remaining funds under such plan on a *pro rata* basis to each participant after deducting expenses such as management fees and custodial fees.

2026 Employee Stock Ownership Plan

The following is a summary of the principal terms of the 2026 Employee Stock Ownership Plan. As of the Latest Practicable Date, 150 participants actually subscribed for units representing 3,048,701 Shares of the Company. There is no outstanding Share under the 2026 Employee Stock Ownership Plan as of the Latest Practicable Date. The terms of the 2026 Employee Stock Ownership Plan are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant or subscription of Shares after the **[REDACTED]**.

(i) Purpose

The purpose of the 2026 Employee Stock Ownership Plan is to establish and improve the mechanism for sharing benefits between employees and stakeholders. The 2026 Employee Stock Ownership Plan is implemented to effectively align the interests of the Shareholders, the Company and the employees, and to ensure all parties to jointly focus on the Company's long-term development. The 2026 Employee Stock Ownership Plan aims to further improve corporate governance structure of the Company and to strengthen employee cohesion and enhance the Company's competitiveness, ensuring its sustained and stable growth.

(ii) Administration

The 2026 Employee Stock Ownership Plan is subject to the approval of the Shareholders' meeting, the administration of the Board and the supervision of the independent Directors of the Company.

(iii) Participants

The participants of the 2026 Employee Stock Ownership Plan include eligible core technology and business personnels of the Company and its subsidiaries, who subscribes Shares of the Company under the plan. Directors and members of senior management are not eligible to participate in the 2026 Employee Stock Ownership Plan.

Each eligible participant of the 2026 Employee Stock Ownership Plan is entitled to the membership of the plan's holder's meeting ("**2026 Holder's Meeting**"), which is the supreme authority body of the 2026 Employee Stock Ownership Plan.

The management committee of the 2026 Employee Stock Ownership Plan (the "**2026 Management Committee**") is in charge of routine supervision and management of the plan. The 2026 Management Committee shall consist of five members elected by the 2026 Holder's Meeting, who shall bear fiduciary duties to participants.

(iv) Source of funds

The source of funds for the employees to participate in the 2026 Employee Stock Ownership Plan include their lawful compensations, self-raised funds and other sources permitted by laws and regulations. The company does not provide financial assistance to employees or guarantee loans for them. The funds to be raised under the 2026 Employee Stock Ownership Plan shall not exceed RMB119,661,500 in total, divided into "units" for subscription and each unit is equal to RMB1.00.

(v) Performance requirements to the Grantees

If a Participant receives a personal comprehensive assessment result lower than "competent" during the 2026 Lock-up Period as set forth in paragraph (vi) hereunder, the units scheduled to vest will automatically be held and liquidated upon expiry of 2026 Duration Period and distributed on a pro rata basis to all other eligible participants.

(vi) Lock-up Period and Duration Period

The 2026 Employee Stock Ownership Plan is subject to a 12-month lock-up period ("**2026 Lock-up Period**"), which commences upon the Company announces the registration and transferral of last subscription of Shares under the plan to the asset management plan corresponding to the 2026 Employee Stock Ownership Plan. During the Lock-up Period, no shares under the plan may be sold.

Vesting Date	Tranche
The date on which 12 months have elapsed from the date of Company's announcement of the registration and transferral of last subscription of Shares under the plan to the asset management plan corresponding to the 2026 Employee Stock Ownership Plan	50%
The date on which 24 months have elapsed from the date of Company's announcement of the registration and transferral of last subscription of Shares under the plan to the asset management plan corresponding to the 2026 Employee Stock Ownership Plan	50%

The duration period of the 2026 Employee Stock Ownership Plan ("**2026 Duration Period**") is 36 months, commencing from the date on which the plan is adopted by the Shareholder's meeting. 2026

Employee Stock Ownership Plan terminates when the 2026 Duration Period ends, or on an earlier date, provided the 2026 Lock-up Period expires and all assets under the 2026 Employee Stock Ownership Plan are liquidated into monetary assets; or on a later date, subject to the 2026 Management Committee and the Board's unanimous approval. Within the 2026 Duration Period, participants may not withdraw from the plan or use their subscribed shares for mortgage, pledge, guarantee or repayment of debt. Nor shall such shares subscribed by the participants under the 2026 Employee Stock Ownership Plan be transferred to a third party without consent of the 2026 Management Committee.

(vii) Dividend

Within the 2026 Duration Period, 2026 Management Committee will be in position to sell shares held by 2026 Employee Stock Ownership Plan on condition that the 2026 Lock-up Period expires.

Pursuant to the 2026 Employee Stock Ownership Plan, liquidation procedure shall conclude within 20 days from the expiry of the 2026 Duration Period, and the 2026 Management Committee shall distribute the remaining funds under such plan on a *pro rata* basis to each participant after deducting expenses such as management fees and custodial fees.

2022 RESTRICTED SHARE INCENTIVE PLAN

The following is a summary of the principal terms of the 2022 Restricted Share Incentive Plan. As of the Latest Practicable Date, the Company actually granted 1,366,120 restricted Shares to 308 participants. There is no outstanding restricted Share under the 2022 Restricted Share Incentive Plan as of the Latest Practicable Date. The terms of the 2022 Restricted Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of restricted Shares by the Company after the **[REDACTED]**.

Purpose

The purpose of the 2022 Restricted Share Incentive Plan is to establish an appraisal and incentive system which is innovative, scientific, fair, reasonable, executable and durable in the mid to long run. The 2022 Restricted Share Incentive Plan is implemented to enhance employees' satisfaction and loyalty to our Company, which guarantees the achievement of the Company's strategic targets.

Administration

The 2022 Restricted Share Incentive Plan is subject to the approval of the Shareholders' meeting, the administration of the Board and the supervision of the board of supervisors and independent Directors of the Company.

Participants

The participants of the 2022 Restricted Share Incentive Plan include core management personnels and technology experts of the Company and its subsidiaries. The scope of participants of the 2022 Restricted Share Incentive Plan excludes Directors, supervisors, senior management, Shareholders who hold more than 5% of the Shares or *de facto* controllers of the Company.

Source and maximum number of restricted Shares

The underlying Shares of the 2022 Restricted Share Incentive Plan are the A Shares repurchased by the Company and the maximum number of restricted Shares that can be granted under the 2022 Restricted Share Incentive Plan is 1,366,120 Shares.

Lock-up Period, Duration Period and vesting of restricted Shares

The 2022 Restricted Share Incentive Plan is subject to a 12-month lock-up period ("**Lock-up Period**"), which commences upon the transferral of Shares to the 2022 Restricted Share Incentive Plan concludes. During the Lock-up Period, no shares under the plan may be sold.

The duration period of the 2022 Restricted Share Incentive Plan ("**Duration Period**") lasts for 36 months, commencing from the same day as the Lock-up Period, provided that the plan is adopted by the Shareholder's meeting.

The vesting period for the restricted Shares commences from the date on which all Shares have been transferred to the 2022 Restricted Share Incentive Plan. The restricted Shares will be vested in tranches of 50% and 50% in each of the two vesting periods that occurs after 12-month anniversary and 24-month anniversary from the commencement of Lock-up period, respectively.

OTHER INFORMATION

Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

Litigation

As of the Latest Practicable Date, save as disclosed in this document, the Company was not engaged in any outstanding litigation or arbitration which may have material adverse effect on the **[REDACTED]** and, so far as the Directors are aware, no material litigation or claim was pending or threatened by or against the Company.

Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of US$0.75 million for acting as the sponsors for the **[REDACTED]**.

Preliminary Expenses

The Company has not incurred any material preliminary expenses.

Promoters

The information of our promoters when we were established as a joint stock limited company is as follows:

Name of Shareholder	Number of Shares held upon our establishment	Shareholding percentage upon our establishment
Yuan Yonggang	43,570,000	36.31
Yuan Yongfeng	43,570,000	36.31
Yuan Fugen	15,260,000	12.71
Suzhou Guofa	8,100,000	6.75
Shanghai Hengrui	3,000,000	2.50
Zhang Yuechun	1,050,000	0.88
Wang Xiangdi	1,000,000	0.83
Xing Xiaojuan	900,000	0.75
Zhao Lin	800,000	0.66
Wang Huai	800,000	0.66
Wang Xiaofeng	500,000	0.42
Gao Jie	400,000	0.34
Li Ding	300,000	0.25
Hu Qing	180,000	0.15
Qian Xianghua	180,000	0.15
Zhou Guihua	150,000	0.13
Chen Baohua	140,000	0.12
Wang Yingchun	100,000	0.08
Total	120,000,000	100.00%

Within the two years immediately preceding the date of this document, no cash, securities, or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the **[REDACTED]** or the related transactions described in this document.

Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document are as follows:

Name of Expert	Qualifications
UBS Securities Hong Kong Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities as defined under the SFO
Haitong International Capital Limited	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO
GF Capital (Hong Kong) Limited	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO

Name of Expert	Qualifications
CITIC Securities (Hong Kong) Limited	A licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Confucius International CPA Limited	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Haiwen & Partners	PRC legal advisor
China Insights Industry Consultancy Limited	Independent industry consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual [REDACTED]

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

Save as otherwise disclosed in this document,

(a) save as disclosed in "— Further Information about the Group" of this section, within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued;

(d) save for the A Shares that are listed on the Shenzhen Stock Exchange and the H Shares to be issued in connection with the **[REDACTED]**, none of the equity and debt securities of the Company or its subsidiary is presently **[REDACTED]** or **[REDACTED]** in on any other stock exchange nor is any **[REDACTED]** or permission to **[REDACTED]** being or proposed to be sought;

(e) the Company has no outstanding convertible debt securities or debentures; and

(f) none of the experts listed under "– Qualifications and Consents of Experts":

(i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the **[REDACTED]**.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix IV – Statutory and General Information — Further Information about the Business — Summary of Material Contracts"; and

(b) the written consents referred to in "Appendix IV — Statutory and General Information – Other Information — Qualifications and Consents of Experts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.dsbj.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report and the report on the unaudited **[REDACTED]** financial information prepared by Confucius International CPA Limited, the texts of which are set out in "Appendix IA - Accountants' Report of the Group", "Appendix IB - Unaudited Interim Condensed Consolidated Financial Information of the Group", "Appendix IC - Accountants' Report of the Source Group", "Appendix ID - Unaudited Interim Condensed Consolidated Financial Information of the Source Group" and "Appendix II - Unaudited **[REDACTED]** Financial Information", respectively;

(c) the audited consolidated financial statements of the Group for the years ended December 31, 2023, 2024 and 2025;

(d) the legal opinion from Haiwen & Partners, the Company's PRC Legal Advisor, in respect of the Group under the PRC laws;

(e) the industry report prepared by China Insights Industry referred to in the section headed "Industry Overview" in this document;

(f) the PRC Company Law, the PRC Securities Law and the Overseas Listing Trial Measures together with their unofficial English translations;

(g) the service contracts between each of the Directors and the Company referred to in "Appendix IV – Statutory and General Information – Further Information about the Directors – Particulars of the Service Contracts";

(h) the material contracts referred to in "Appendix IV – Statutory and General Information – Further Information about the Business – Summary of Material Contracts"; and

(i) the written consents referred to in "Appendix IV – Statutory and General Information – Other Information – Qualifications and Consents of Experts".