上海劍橋科技股份有限公司

CIG SHANGHAI CO., LTD.

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

Stock Code : 06166

2026

INTERIM REPORT

Important

I. **The Board, the Directors and senior management of the Company warrant that the contents of this interim report are true, accurate, and complete, and that it contains no false statements, misleading statements, or material omissions and they assume joint and several legal liabilities.**

II. **All Directors of the Company attended the Board meeting.**

III. **This interim report is unaudited.**

IV. **Gerald G Wong, the Chairman of the Company, Cheng Gucheng, the Chief Financial Officer and Cui Xinjia, the head of the Accounting Department (person in charge of accounting affairs) warrant the financial reports of this interim report are true, accurate, and complete.**

V. **Proposal on profit distribution or transfer of capital reserve fund during the Reporting Period considered and approved by the Board**

The Company considered and approved the “2026 Interim Profit Distribution Plan” at the 34th meeting of the 5th session of the Board of Directors held on August 24, 2026. The Company plans to distribute profits for the first half of 2026 based on the total share capital registered on the record date for the implementation of the equity distribution. In accordance with the “2026 Interim Cash Dividend Proposal” approved at the 2025 Annual General Meeting and taking into account the Company’s operating performance for the first half of the year, the profit distribution plan is as follows: based on the total share capital of the Company on the record date for the implementation of the equity distribution, the Company plans to distribute a cash dividend of RMB0.09 per share (tax inclusive) to all shareholders, with no bonus share issue or capital reserve conversion into share capital. As of June 30, 2026, the Company’s total share capital was 368,250,373 shares (including: 275,588,373 A Shares and 92,662,000 H Shares), based on which the total proposed cash dividend amounted to RMB33,142,533.57 (tax inclusive). The cash dividend payout ratio for the first half of 2026 (i.e., the ratio of the total proposed cash dividend for the first half of 2026 to the net profit attributable to shareholders of the listed company in the consolidated financial statements for the first half of 2026) was 10.11%.

If the total share capital of the Company changes as a result of the conversion of convertible bonds, share repurchases, share repurchases and cancellations resulting from equity incentive grants, or share repurchases and cancellations related to major asset reorganizations during the period from the disclosure date of this plan to the record date of the implementation of the equity distribution, the Company intends to maintain the distribution ratio per share unchanged and adjust the total distribution accordingly. Dividends of A Shares will be distributed in RMB; Dividends of H Shares will be distributed in HKD.

Important (Continued)

VI. Statement for the risks involved in the forward-looking statements

This report contains forward-looking statements that involve future plans and development strategies which do not constitute a substantive commitment by the Company to investors. Investors should be aware of the investment risks.

VII. Was there any appropriation of the Company' s funds on a non-operating basis by controlling shareholders or other related parties

No

VIII. Did the Company provide any external guarantees in violation of the prescribed decision-making procedures

No

IX. Whether more than half of the Directors were not able to assure the truthfulness, accuracy and completeness of the interim report disclosed by the Company

No

X. Major risk warning

During the Reporting Period, there were no material risks that had a material effect on the Company's operations. The Company has provided a detailed description of the risks it may face in the course of its operations in this report. Please refer to "Section III. Management Discussion and Analysis" — "V. Other Disclosures" — "(I) Potential Risks".

XI. Others

☐Applicable ✓Not Applicable

Contents

Definitions

Unless the context requires otherwise, the following terms shall have the following meanings in this report:

Definitions of frequently used terms

2024 A Share Incentive Scheme	The 2024 Share Option Incentive Scheme adopted by the Company on August 26, 2024, the principal terms of which are set out in the section headed “Other Information — Share Schemes — (a) 2024 A Share Incentive Scheme” in this report
2026 A Share Incentive Scheme	The 2026 Share Option and Restricted Share Incentive Scheme adopted by the Company on April 28, 2026, the principal terms of which are set out in the section headed “Other Information — Share Schemes — (b) 2026 A Share Incentive Scheme” in this report
5G-A	5th Generation Advanced (5.5G), an enhanced version of fifth-generation mobile communication technology, featuring comprehensive improvements in key performance indicators such as data rate, latency, and number of connections
10G EPON	10 Gigabit Ethernet Passive Optical Network
25G PON	25 Gigabit Passive Optical Network
50G PON	50 Gigabit Passive Optical Network
Access Network	The network segment that connects the core network to user terminals, responsible for enabling terminal access to the communication network. Common technologies include PON, DSL, and wireless access
Actiontec Shanghai	Actiontec Electronics (Shanghai), Inc.* (邁智微電子(上海)有限公司), a wholly-owned subsidiary of the Company, which was acquired by the Company in 2022
Actiontec US	The Company’s overseas wholly-owned subsidiary, established with assets acquired in 2022, continuing to use the name Actiontec Electronics, Inc.
AI	Artificial Intelligence, the study and development of theories and technologies to simulate and extend human intelligence, encompassing fields such as machine learning and natural language processing
AP	Access Point, the core device of a wireless local area network, which connects wired and wireless networks and supports multi-terminal access
Articles of Association	the articles of association of CIG SHANGHAI CO., LTD.
Augmented Reality (AR)	A technology that overlays virtual information onto the real-world environment using computer technology to create an interactive experience combining the virtual and real. It is commonly used in scenarios such as industrial operations, maintenance, and education/training

Definitions (Continued)

Backbone Network	The core network supporting large-scale (e.g., national, cross-regional) data transmission. It features high bandwidth, high reliability, and low latency, serving as the backbone of the communication network
Cambridge Industries Group Limited	Cambridge Industries Group Limited, a wholly-owned overseas subsidiary of the Company
Cambridge Industries USA Inc., CIG US	Cambridge Industries USA Inc., a wholly-owned overseas subsidiary of the Company
CG Code	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
CIG Cayman	Cambridge Industries Company Limited, an investment holding company which was incorporated in May 2005 in the Cayman Islands and wholly owned by Mr. Gerald G Wong since its establishment, being a member of the Single Largest Group of Shareholders
CIG Japan	The Company's overseas wholly-owned subsidiary, located in Sagamihara City, Kanagawa Prefecture, Japan, which was formed through the absorption and merger of CIGTech Japan Limited (established with assets acquired in 2018) by CIG Photonics Japan Limited (established with assets acquired in 2019)
CIG Photonics Europe GmbH	CIG Photonics Europe GmbH (formerly known as One Fiber Access GmbH), a wholly-owned overseas subsidiary of the Company
CIG Zhejiang	CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司), a controlled subsidiary of the Company
CO-LO	Co-location, an operational model where multiple parties collaborate to share infrastructure or production resources to reduce costs
Company, CIG	CIG SHANGHAI CO., LTD. (上海劍橋科技股份有限公司)
Company Law	the Company Law of the PRC
Concert Party Agreement	the concert party agreement entered into by Mr. Gerald G Wong and Mr. Zhao Haibo (趙海波先生) on August 30, 2017. According to the Concert Party Agreement, Mr. Gerald G Wong and Mr. Zhao Haibo shall act together in voting at Board meetings as Directors and at general meetings through the Shareholders controlled by them. Mr. Gerald G Wong and Mr. Zhao Haibo have agreed to fully communicate and negotiate their votes on an equal and cooperative basis. In the event that an unanimous vote cannot be formed, the opinion of the party with higher shareholding shall prevail
CPO	Co-Packaged Optics, integrating optical engines with switch chips in packaging to enhance data center energy efficiency

Definitions (Continued)

CSRC	The China Securities Regulatory Commission (中國證券監督管理委員會)
CWDM	Coarse Wavelength Division Multiplexing, utilizing low-cost multiplexing technology to expand optical fiber capacity
Distributed Unit (DU)	A core component of a 5G base station, responsible for functions such as baseband signal processing and resource scheduling. It can be deployed in a distributed manner to adapt to different coverage scenarios
DR4	Dual Rate 4, an optical transceiver form factor with 4 channels supporting dual rates (adapted for specific transmission distance and rate requirements)
DR8	Dual Rate 8, an optical transceiver form factor with 8 channels supporting dual rates (adapted for specific transmission distance and rate requirements)
DSP	Digital Signal Processing, a technology that processes digital signals through algorithms such as filtering and transformation
Edge computing	A distributed computing model located near data sources, providing real-time processing and low-latency response
EML	Electro-absorption Modulated Laser, which utilizes the electro-absorption effect for optical signal modulation
EMS	Electronics Manufacturing Service, provides electronics manufacturing, procurement and supply chain management services
EPON	Ethernet PON, based on the IEEE 802.3ah standard, supporting high-speed data transmission
FR4	Four Rate 4, an optical transceiver form factor with 4 channels supporting four rates (adapted for medium to long-distance transmission)
FR8	Four Rate 8, an optical transceiver form factor with 8 channels supporting four rates (adapted for medium to long-distance transmission)
G.fast	a copper-based ultra-high-speed access technology supporting 1Gbps transmission within 400 meters (ITU-T G.9701 standard)
GPON	Gigabit PON, complying with the ITU-T G.984 standard, providing symmetrical high-speed bandwidth
H Share Incentive Scheme	The H Share Restricted Share Incentive Scheme adopted by the Company on April 28, 2026, the principal terms of which are set out in the section headed “Other Information — Share Schemes — (c) H Share Incentive Scheme” in this report

Definitions (Continued)

H Share Prospectus	Prospectus of the Company dated October 20, 2025 in relation to the initial listing of H Shares
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
ICT	Information Communications Technology, is a comprehensive technical field that integrates telecommunications, information services, and IT technologies, covering communications, computing, networking, and applications
Industrial Internet	A network system integrating technologies such as the Internet of Things (IoT), big data, and artificial intelligence with industrial production scenarios. It enables the interconnection of industrial equipment, data collection and analysis, as well as intelligent control and management
IoT	Connecting physical devices to the internet via sensors and networks, enabling intelligent management and data exchange
JDM	Joint Design Manufacturer, the customer and the manufacturer jointly participate in the design, while the manufacturer is responsible for production
Kangling Management	Shanghai Kangling Enterprise Management Partnership (Limited Partnership)* (上海康令企業管理合夥企業(有限合夥)), a limited partnership incorporated in November 2021 in the PRC and previously known as Qingdao Jiuda Investment Partnership (Limited Partner)* (青島久達投資合夥企業(有限合夥)), being a member of the Single Largest Group of Shareholders
Kangyiqiao	Shanghai Kangyiqiao Investment Consulting Partnership (Limited Partnership)* (上海康宜橋投資諮詢合夥企業(有限合夥))
Laser	A core element of the Transmitter Optical Sub-Assembly (TOSA), which generates optical signals of specific wavelengths through electrical excitation. It is crucial for signal transmission in optical modules
Latest Practicable Date	August 24, 2026, which is the latest practicable date prior to the publication of this report for the purpose of ascertaining certain information contained herein
LPO	Linear-drive Pluggable Optics, which reduces power consumption and cost through linear-drive technology
LR4	Long Reach 4, an optical transceiver form factor with 4 channels supporting long-distance transmission
LR8	Long Reach 8, an optical transceiver form factor with 8 channels supporting long-distance transmission

Definitions (Continued)

LRO	Linear-drive Optical, synonymous with LPO, different manufacturers use different naming conventions
Mesh, Self-Organizing Network	Wireless mesh network, a multi-hop self-organizing network, supports dynamic expansion and multi-device interconnection, and is typically used in Wi-Fi Mesh networking
Metropolitan Area Network (MAN)	A communication network covering a city-wide area, connecting multiple Local Area Networks (LANs) and access networks to enable data transmission and resource sharing within the region
MIIT	the Ministry of Industry and Information Technology
MoCA	Multimedia over Coax Alliance, a standard for achieving high-speed data transmission utilizing coaxial cables, supporting home network extension
Model Code for Securities Transactions	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
Multiple Dwelling Unit (MDU)	Broadband access equipment designed for multi-tenant scenarios (e.g., apartment buildings, office buildings), capable of providing network access services to multiple users simultaneously
NDRC	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
Non-public Issuance	The Company's non-public issuance of shares to specific investors in 2020
NPO	Near-Package Optics (NPO), a technology that enables chip-level high-speed optical interconnection, featuring low latency, low power consumption and high integration
ODM	Original Design Manufacturer, the manufacturer is responsible for the product design and manufacturing, while the customer sells under its own brand
OEM	Original Equipment Manufacturer, where brand owners entrust contract manufacturers to produce products for sale under their own brands
Optical Line Terminal (OLT)	The core control device in a Passive Optical Network (PON), located at the operator's central office. It connects the Optical Distribution Network (ODN) to the core network, managing Optical Network Units (ONUs) and forwarding data
Optical Network Terminal (ONT)	A type of Optical Network Unit (ONU), commonly found in home scenarios, which converts optical signals to electrical signals to provide broadband access services to residential users

Definitions (Continued)

Optical Network Unit (ONU)	User-side equipment in a Passive Optical Network (PON), installed at the user's premises (home or business). It is responsible for converting optical signals into electrical signals to enable broadband access
OSFP	Octal Small Form-factor Pluggable, a high-speed optical transceiver form factor with 8 channels (a high-speed optical transceiver form factor)
PAM	Phase Amplitude Modulation, a technology that combines (multi-level) amplitude modulation to improve signal transmission efficiency, such as PAM4 used in high-speed optical communications
PCB	Printed Circuit Board, a carrier for the support and electrical connection of electronic components, categorized into single-layer, double-layer, and multi-layer boards
Photonics	Devices that perform optical-to-electrical and electrical-to-optical conversion, used for signal transmission and reception in optical fiber communication systems
Photodetector	A core component in an optical module that receives optical signals and converts them into electrical signals, directly affecting the module's receiving sensitivity and transmission performance
PIC, silicon photonics	Photonic Integrated Circuit, Silicon Photonics Technology, an optoelectronic integration technology based on silicon-based materials, integrating CMOS processes to achieve high-speed and low-power optical modules
PON	Passive Optical Network, a fiber optic access technology based on passive optical splitters, which is divided into standards such as EPON and GPON
QSFP	Quad Small Form-factor Pluggable, supporting 4-channel high-speed transmission (e.g., 40G/100G)
QSFP112	Quad Small Form-factor Pluggable 112, a high-speed optical transceiver form factor with 4 channels supporting 112G per channel (a high-speed optical transceiver form factor)
Receiver Optical Sub-Assembly (ROSA)	The component in an optical module responsible for converting optical signals into electrical signals. It contains core elements like photodetectors and influences the optical module's receiving performance and anti-interference capability
Reporting Period	The specific financial year or period covered by the financial report is from January 1, 2026 to June 30, 2026 in this report
Residential Gateway (RGW)	A core home networking device integrating functions such as broadband access, wireless networking, and smart home control, enabling interconnection and intelligent management of multiple devices within a household

Definitions (Continued)

Securities Law	the Securities Law of the People's Republic of China (《中華人民共和國證券法》)
Shanghai Kangling	Shanghai Kangling Technology Partnership (Limited Partnership)* (上海康令科技合夥企業(有限合夥)), a limited partnership incorporated in October 2011 in the PRC and previously known as Shanghai Kangling Investment Consulting Company Limited* (上海康令投資諮詢有限公司), being a member of the Single Largest Group of Shareholders
Single Largest Group of Shareholders	Mr. Gerald G Wong, CIG Cayman, Mr. Zhao Haibo, Ms. Qin Yan (秦燕女士), Shanghai Kangling and Kangling Management
Single Family Unit (SFU)	Broadband access terminal equipment for individual home users, tailored to meet the network access requirements of household scenarios
Small Cell	Small Cell, low-power, small-coverage base station equipment, categorized into Micro Base Stations (Micro), Pico Base Stations (Pico), and Femto Base Stations (Femto)
SR4	Short Reach 4, an optical transceiver form factor with 4 channels supporting short-distance transmission (suitable for intra-data center connections)
SSE Listing Rules	Rules Governing the Listing of Shares of the Shanghai Stock Exchange
Transmitter Optical Sub-Assembly (TOSA)	The component in an optical module responsible for converting electrical signals into optical signals. It contains core elements like lasers and determines the optical module's transmit power and transmission rate
TRO	Thermal Resistance Optimization, a thermal management technology for optical modules
VDSL2	A copper-based high-speed digital subscriber line technology supporting symmetrical 100Mbps bandwidth (ITU-T G.993.2)
Vehicle-to-Everything	Vehicle-to-Everything, a network system enabling connectivity between vehicles, vehicles and roadside infrastructure, and vehicles and the cloud. It supports applications such as autonomous driving and intelligent transportation
Virtual Reality (VR)	A technology that creates a virtual 3D environment, providing users with an immersive interactive experience. It is applied in areas such as entertainment and simulation training

Definitions (Continued)

WLAN	Wireless LAN, a wireless communication technology based on the IEEE 802.11 standard, supporting short-distance interconnection between devices
Wi-Fi	A wireless communication technology based on the IEEE 802.11 standard, supporting short-distance interconnection between devices (as certified by the Wi-Fi Alliance)
XG PON	10 Gigabit Passive Optical Network
XGS PON	10 Gigabit Symmetric Passive Optical Network
Yangzhong Xingfu Jiayuan	Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)
yuan, 0’000 yuan, 00’000’000 yuan	The basic unit of Renminbi (¥), RMB0’000 (¥10,000), RMB00’000’000 (¥100,000,000)

In this report, “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this report have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

This report is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

* For identification purposes only

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Gerald G Wong *(Chairman of the Board, General Manager (Chief Executive Officer))*
Mr. Zhao Haibo *(Deputy General Manager, Chief Technology Officer)*
Mr. Zhao Hongwei *(Chief Operating Officer, Manager of Hardware R&D Division, Procurement Officer)*
Mr. Zhang Jie *(Manager of Broadband Products Division)*

Independent Non-executive Directors

Mr. Qin Guisen
Mr. Yao Minglong
Ms. Yuen Shuk Yee

AUDIT COMMITTEE

Mr. Yao Minglong *(chairman)*
Mr. Qin Guisen
Ms. Yuen Shuk Yee

NOMINATION COMMITTEE

Mr. Qin Guisen *(chairman)*
Mr. Zhao Haibo
Ms. Yuen Shuk Yee

REMUNERATION AND EVALUATION COMMITTEE

Ms. Yuen Shuk Yee *(chairman)*
Mr. Gerald G Wong
Mr. Yao Minglong

STRATEGY AND ESG COMMITTEE

Mr. Gerald G Wong *(chairman)*
Mr. Zhao Haibo
Mr. Zhao Hongwei
Mr. Zhang Jie
Mr. Qin Guisen

AUTHORISED REPRESENTATIVES

Mr. Gerald G Wong
Ms. So Lai Shan

REGISTERED OFFICE, PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

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Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE UNITED STATES

2445 Augustine Drive, 6th Floor
Santa Clara, CA 95054, United States

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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33 Hysan Avenue, Causeway Bay, Hong Kong

JOINT COMPANY SECRETARIES

Mr. Jin Zeqing
Ms. So Lai Shan *(ACG, HKACG)*

H SHARE REGISTRAR

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited

HONG KONG LEGAL ADVISER

Eric Chow & Co. in Association with
Commerce & Finance Law Offices

PRC LEGAL ADVISER

Beijing DeHeng Law Offices

AUDITOR

Grant Thornton Zhitong Certified Public Accountants LLP
(Recognised PIE Auditor)

STOCK CODE

Hong Kong Stock Exchange: 6166
Shanghai Stock Exchange: 603083

COMPANY WEBSITE

www.cigtech.com

Management Discussion and Analysis

KEY ACCOUNTING DATA

Unit: Yuan Currency: RMB

Key Accounting Data	The Reporting Period (January-June)	Same Period of the Previous Year	YoY Change (%)
Operating revenue	2,705,007,720.63	2,035,126,267.94	32.92
Total profit	274,464,405.90	119,095,903.54	130.46
Net profit attributable to shareholders of the listed company	327,746,411.73	120,904,406.55	171.08
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses	319,492,108.40	119,028,614.20	168.42
Net cash flows from operating activities	−1,113,134,302.58	−189,867,967.38	N/A

	At the end of the Reporting Period	At the end of the Previous Year	YoY Change (%)
Net assets attributable to shareholders of the listed company	9,365,328,970.62	7,449,400,393.20	25.72
Total assets	13,641,788,778.95	11,905,894,968.34	14.58

KEY FINANCIAL INDICATORS

Key Financial Indicators	The Reporting Period (January-June)	Same Period of the Previous Year	YoY Change (%)
Basic earnings per share (RMB/share)	0.93	0.45	106.67
Diluted earnings per share (RMB/share)	0.93	0.45	106.67
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	0.91	0.44	106.82
Weighted average return on net assets (%)	4.32	5.10	Decreased by 0.78 percentage point
Weighted average return on net assets after deducting non-recurring profit and loss (%)	4.21	5.02	Decreased by 0.81 percentage point

During the Reporting Period, the Company's operating revenue increased. Both net profit attributable to shareholders of the listed company and net profit after deducting non-recurring profit and loss saw substantial growth, indicating a significant enhancement in operating profitability. The scale of net assets attributable to shareholders of the listed company and total assets expanded substantially, while share capital also increased, with only net cash flow from operating activities showing a decline compared to the same period of the previous year. Concurrently, earnings per share indicators, including basic and diluted earnings per share, all increased. The weighted average return on net assets and the weighted average return on net assets after deducting non-recurring profit and loss declined, due to a significant increase in the Company's net asset. The Company showed a positive overall development trend.

DESCRIPTION OF THE INDUSTRY AND MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

(I) Industry and Principal Business of the Company

The Company's industry falls under "C39 Computer, Communication and Other Electronic Equipment Manufacturing". During the Reporting Period, there was no significant change in the industry conditions in which the Company operates.

The Company's principal business is the research and development, production and sales of terminal equipment for communication connections in the fields of telecommunications, data communications, enterprise networks, and home networks (including telecom broadband, wireless networks and edge computing), as well as high-speed optical module products.

(II) Main Products and Their Applications

Specific products and their functions and applications are as follows:

Product Category	Specific Product	Functions and Applications
High-speed Optical Module	800G (based on 100G/lane silicon photonics technology): DR8/FR8/LR8, 2×DR4, 2×FR4, 2×LR4 optical module based on PAM4 modulation technology, and 800G LPO/TRO optical module 800G (based on 100G/lane EML technology): DR8/FR8/LR8, 2×FR4, 2×LR4 optical module based on PAM4 modulation technology 800G (based on 200G/lane silicon photonics technology): DR4/FR4 optical module based on PAM4 modulation technology 1.6T (based on 200G/lane silicon photonics): DR8, 2×FR4 optical module based on PAM4 modulation technology, and 1.6T DR8 LPO/TRO optical module NPO/CPO technology: Preliminary research and prototype development of CPO integrated silicon photonics engines based on 100G/lane and 200G/lane, and CPO integrated light sources based on high-power lasers 400G (based on 100G/lane silicon photonics technology): DR4, FR4, LR4, 4×FR1, 4×LR1 optical module based on PAM4 modulation technology, and 400G LPO/TRO optical module 400G (based on 50G/lane EML technology): DR4, FR4, LR4, SR4, 4×FR1, 4×LR1 optical module based on PAM4 modulation technology 100G (based on 100G PAM4 modulation technology): Single-lambda DR, FR1, LR1 optical module 100G (4-wavelength series): SR4, CWDM4, LR4, ER4, ZR4 optical module	Targeting telecommunications operators and data center operators, used for backbone transmission in bearer networks, metropolitan area networks, access networks, and intra-data center interconnections.

Management Discussion and Analysis (Continued)

Product Category	Specific Product	Functions and Applications
	2.5G/10G/25G PON Optical Module	Targeting mobile operators both domestically and internationally, the products are primarily used in the enterprise broadband access and carrier-grade base station markets.
Telecom Broadband	Fiber access products: SFU (Single Family Unit), MDU (Multiple Dwelling Unit), and RGW (Residential Gateway) based on technologies such as GPON, EPON, XG PON, XGS PON, 10G EPON, NGPON2, 25G PON, and 50G PON. Copper line access products: based on MoCA, VDSL2, G.fast, G.hn technologies	Targeting fixed network operators, based on various wired broadband technologies, applied in homes or enterprises to enable multi-service integrated access.

Management Discussion and Analysis (Continued)

Product Category	Specific Product	Functions and Applications
Wireless Networks and Edge Computing	Enterprise and operator-grade WLAN products, AP products, home wireless interconnection products, Wi-Fi Mesh home gateway products, 5G FWA CPE	Enabling wireless access, wireless interconnection, and gateway functions, applied in operator-grade homes, enterprises, and various commercial environments.
	Mobile Communication Small Cells	4G and 5G distributed mobile communication small cell products. Featuring distributed deployment, multi-mode, multi-frequency, supporting multi-antenna transmission and reception, supporting ultra-high bandwidth, meeting various indoor and outdoor installation application scenarios for users. They mainly serve mobile operators and private network enterprise users requiring high-performance integrated wireless access.
	Edge gateways, AI Edge Server, etc.; industrial APs, AR series routers, Ethernet switches, IoT gateways, etc.	Suitable for embedded servers and computing nodes deployed at the edge. Through wired and wireless connections, they are integrated into industrial network platforms to enable data transmission and intelligent control in industrial environments, applied in the industrial and smart manufacturing sectors. Ethernet switches are network devices used for data switching and transmission, deployed in enterprise backbone networks, data centers, and server rooms to support high-bandwidth requirements.

Management Discussion and Analysis (Continued)

(III) Operating Model

Category	ICT Terminal Equipment and Wireless Communication Infrastructure	High-speed Optical Module
Operating Model	The main customers in the ICT terminal equipment market are telecommunications operators and enterprise-level clients. Suppliers to these operators are primarily global large-scale communications equipment providers. These global providers generally do not engage in the manufacturing of ICT terminals themselves; they typically cooperate with upstream ICT terminal manufacturers through models such as EMS, OEM, ODM, JDM, etc..	The Company generates reasonable profits by providing various high-speed optical transceiver products to its customers. This involves procuring raw materials such as optical components, integrated circuit chips, structural parts, and PCBs, manufacturing optical module that meet customer specifications, and selling them to domestic and international clients, including communication equipment manufacturers, telecommunications operators, and data center operators.
Business Model	The Company's JDM business model primarily targets customers that are relatively large in scale, well-known in the industry, show a clear potential and tendency for long-term cooperation, and provide a reasonably sufficient contribution to overall business profits. Under this model, products are mainly developed according to customers' specific requirements. The Company's ODM business model primarily targets customers with smaller scale, lower industry reputation, higher volatility in business cooperation, smaller product demand scale, and higher profit margins for individual products. It provides these customers with the Company's existing products or customizes products based on their clear requirements.	The Company works closely with customers on R&D under the JDM model, while also driving product innovation independently under its own CIG brand. It offers high-speed optical transceiver products across various data rates and package types, and ultimately sells them to end customers either under its own brand or under the customer's brand.

Management Discussion and Analysis (Continued)

Category	ICT Terminal Equipment and Wireless Communication Infrastructure	High-speed Optical Module
Procurement Model	The Company offers a wide range of product specifications with short production cycles. Raw material procurement is primarily based on actual sales orders and customer demand forecasts. The Company adopts a procurement model of "sales orders + forecasts + safety stock" to flexibly and effectively ensure delivery timelines and meet customer requirements.	The Company adopts a procurement model similar to that of the ICT terminal equipment and wireless communication infrastructure industry.
Production Model	The Company adopts a "production-to-order" model, arranging production plans and organizing manufacturing based on customer orders and demand forecasts. Upon receiving a customer order, the Company's sales department and procurement department confirm the delivery date and carry out procurement review, and then pass the order to the manufacturing department for production scheduling. The manufacturing department formulates the production plan and issues specific production instructions to the production workshops. The production workshops manufacture according to orders and arrange detailed daily production plans based on material supply and equipment operating conditions. The entire production process is monitored by the Company's quality management department for quality control throughout. The Company produces telecom broadband and wireless network products at its production bases in Jiashan, Xi'an, Wuhan, and Malaysia.	The Company independently manufactures high-speed optical components and 100G/400G/800G/1.6T high-speed optical module at its own, joint venture, or CO-LO production facilities both domestically and overseas. These facilities form a globally coordinated production network, enabling flexible resource allocation in response to market dynamics and customer needs. The Company is accelerating the transition and addition of production lines for 800G and 1.6T high-speed optical module, as well as pilot lines for 3.2T/6.4T/7.2T and NPO technologies.
Sales Model	The Company's customers are primarily equipment manufacturers in the ICT industry and telecommunications operators. The Company's products are sold in both domestic and international markets, with the international markets mainly including the United States, Europe, and the Asia-Pacific region.	The end customers of the Company's products are mainly telecommunications operators and data center operators. The Company generally sells its products directly or indirectly to telecommunications operators, communication equipment manufacturers, and data center operators.

Management Discussion and Analysis (Continued)

(IV) Market Position of the Company's Products

As a new-generation enterprise focused on the ICT and optical communications sectors, the Company is rooted in China and serves the global market, with technological innovation as its core driving force. It has long concentrated on three core businesses — broadband access, wireless access, and high-speed optical module — leveraging independent technology R&D and integrating the upstream and downstream industrial chain to continuously strengthen its core competitiveness. Concurrently, the Company is accelerating its global production capacity layout and steadily advancing core customer certification, resulting in a steady improvement in its industry position and market advantages across each core business area.

In the first half of 2026, the Company seized the structural growth opportunities in the communications industry, achieving significant growth in operating performance. The optimization of production capacity layout, the development of supply chain resilience, and sustained R&D and innovation have collectively contributed to a marked improvement in the profitability quality of the Company's core business. Meanwhile, the potential for the coordinated development of the three core businesses, i.e. high-speed optical transceivers, broadband access and wireless access, remains to be further unlocked. During the Reporting Period, the Company achieved operating revenue of RMB2,705 million, representing a year-on-year increase of 32.92%; net profit attributable to shareholders of the listed company reached RMB328 million, representing a year-on-year increase of 171.08%; net profit after deducting non-recurring gain and loss was RMB319 million, representing a year-on-year increase of 168.42%; and basic earnings per share stood at RMB0.93, representing a year-on-year increase of 106.67%. All core profitability indicators recorded growth, with growth rates exceeding the revenue growth rate, reflecting a certain degree of earnings resilience in the Company's principal business and a continued enhancement of its core competitiveness. In addition, R&D, selling, and administrative expenses all increased during the period, mainly due to business expansion, higher R&D investment, and deeper market penetration, which is consistent with the Company's strategic development plan.

(V) Primary Performance Drivers

During the Reporting Period, the Company's performance was driven by the overall high-quality development of its three core businesses: high-speed optical transceivers, broadband access and wireless access. Among these, the high-speed optical transceiver business delivered particularly outstanding performance. On the one hand, strong market demand led to a significant increase in orders, and the Company supported a substantial year-on-year increase in shipment value through high-quality and timely delivery. On the other hand, the optimization of the product mix drove a notable improvement in the gross profit margin on sales.

(VI) Development of the Industry in Which the Company Operates

1. *ICT Terminal Equipment Industry*

The Company's ICT terminal business is primarily focused on telecom broadband access terminals, a sector currently in a phase of steady growth and technological upgrading in overseas markets. The proliferation of broadband in emerging markets is driving rapid growth in demand for optical modems and gateways, while mature markets in Europe and the Americas sustain steady demand through the replacement of existing equipment, demonstrating continued growth in demand for high-end terminals. The optical access market (including FTTx, wireless fronthaul and backhaul) exhibits cyclical development trends, with operators typically deploying new access technologies every 4 to 6 years. Traditional FTTx is gradually emerging from the trough of the cycle, with 50G PON, FTTR and Wi-Fi7 technologies seeing accelerated deployment. Intelligent and maintainable terminals are becoming the prevailing procurement standard for operators; terminal application scenarios are expanding from the home market to small and medium-sized enterprises. The rise of 5G FWA and low-earth-orbit satellite broadband is driving diversified technological development in the industry. On the other hand, industry challenges are becoming more prominent: tightening access certification regulations across various countries, intensifying competition from local manufacturers in different regions, coupled with technology substitution risks posed by wireless broadband solutions and the pressure of R&D adaptation arising from multiple technology pathways.

2. *Wireless Communication Infrastructure Industry*

The Company's involvement in the wireless communication infrastructure industry is primarily focused on wireless network access terminals, a sector currently in a phase of rapid development in overseas markets. In terms of market size, global demand for wireless networks continues to grow, and Wi-Fi 7 has entered the stage of large-scale commercial deployment. With the gradual commencement of 5G-A network construction, the market for fronthaul optical devices for base stations is expected to recover. The overseas industry chain is becoming increasingly coordinated, with leading operators generally adopting a bundled procurement model for hardware and software. On the other hand, the industry faces numerous uncertainties: cost differentiation in network construction across regions, continuous changes in spectrum policies across countries driving up product adaptation costs, and the impact of emerging solutions such as low-earth-orbit satellite broadband. Companies are required to sustain R&D investment to address technology iteration and cross-sector competition.

Management Discussion and Analysis (Continued)

3. *High-speed Optical Transceiver Industry*

The Company's involvement in the high-speed optical transceiver industry is primarily focused on telecom-grade and datacom-grade high-speed optical transceivers, a sector currently in a phase of strong demand and technological innovation in overseas markets. Overseas AI computing power investments are driving sustained growth in demand for datacom optical transceivers, with 800G transceivers entering mass production and 1.6T transceivers entering the commercial stage. Chinese manufacturers are demonstrating increasing competitiveness in the high-end high-speed transceiver segment. Beyond data center interconnection, product applications are gradually expanding into emerging scenarios such as autonomous driving and telemedicine. On the other hand, the industry faces prominent challenges: rapid technology iteration, substantial R&D investment pressure, and intense market competition. Combined with global geopolitical and trade policy fluctuations, these factors bring uncertainties to the expansion of overseas business.

DISCUSSION AND ANALYSIS OF OPERATION

In the first half of 2026, driven by the rapid expansion of high-speed interconnects in AI data centers, the commercial rollout of 5G-Advanced, and the ultra-broadband upgrade to 50G PON, the global optical communications industry sustained its structural growth, with demand for computing-related communication hardware continuing to rise. However, ongoing geopolitical conflicts and persistent trade and technology control measures across various countries have continued to disrupt the global optical communications supply chain, creating uncertainty for companies' overseas expansion. On the other hand, the continued expansion of computing power infrastructure still presents long-term growth opportunities for industry participants. In light of the current industry landscape, the Company has firmly capitalized on market growth dividends, adhering to technological innovation as its core driver and globalization as its strategic direction. It has methodically advanced production capacity development both at home and abroad, continuously increased R&D investment to accelerate product iteration, and improved its global supply chain structure and overseas market networks. Leveraging the high-quality development of its three core businesses: high-speed optical transceivers, broadband access and wireless access, along with its overall strategic layout, the Company's risk resilience and growth potential continue to strengthen, and its comprehensive core competitive advantages are being further consolidated.

Management Discussion and Analysis (Continued)

During the Reporting Period, the Company's main operational activities included the following:

(I) Research and Development

The Company has built a platform-based R&D system centered on three major directions: high-speed optical interconnect, broadband access, and wireless and edge computing. It adheres to the principles of independent development of key technologies and reuse of common capabilities across product lines. In the first half of 2026, the Company continued to prioritize its R&D resources in high-speed optical interconnect, represented by AI computing power infrastructure.

High-speed optical transceivers represent the area with the most concentrated R&D investment and the fastest technology iteration for the Company. The Company employs 3nm DSP and 200G/lane high-density integrated silicon photonics as a unified technology foundation, supporting the rapid derivation of a complete product portfolio spanning 800G to 1.6T and from DR4 short-reach to LR4 long-reach. In response to the stringent requirements of AI data centers regarding power consumption and total cost of ownership, the Company is concurrently deploying LPO and LRO linear drive solutions based on 3nm low-power transmitter-side DSP, forming a comprehensive technology reserve spanning traditional DSP architectures to low-power architectures. In the areas of novel light sources and advanced packaging, the Company has completed the development and verification of high-power external light source ELSFP, and has initiated 12.8T XPO and multiple NPO customized projects, establishing a forward-looking presence in the near-package/co-package optical architecture for next-generation switches. In terms of key components, the Company continues to strengthen material qualification and delivery management of key suppliers across DSP chips, silicon photonic chips, DC lasers, isolators and optical fiber components (MT-FA, AWG, etc.), and has secured production capacity for multiple key materials in advance, laying a solid foundation for mass-volume delivery.

On the terminal side, the Company adheres to an independent software development path, with its proprietary software stack and cloud management platform already covering the mainstream models of access gateways and wireless terminals. During the Reporting Period, AI capabilities were simultaneously deployed across end, edge and cloud layers: AI engines were integrated into gateways, the cloud management platform incorporated AI for network self-optimization and fault self-diagnosis, and an AI-embedded server platform with computing power exceeding 200 TOPS was launched on the edge side. In response to the substantial price increases in memory devices, the Company carried out systematic software optimization to reduce the firmware and runtime footprint on Flash and DDR capacity, enabling products to adopt memory configurations with smaller capacity and lower cost. These measures have already yielded positive results. This capability not only alleviates material cost pressures but also constitutes a differentiated competitive advantage for the Company's terminal products.

In the mass production phase, the Company possesses the capability to rapidly replicate process platforms across multiple manufacturing sites. During the Reporting Period, the Company achieved simultaneous capacity expansion for 800G and 1.6T series products across multiple factories in Jiashan and overseas factories. It also continued to strengthen its product verification and mass production introduction capabilities for major global operators and data center customers, supporting the rapid growth of customer orders.

Management Discussion and Analysis (Continued)

In the second half of 2026, the Company's R&D efforts will continue to focus on high-speed optical interconnect as the primary priority, advancing the R&D, mass production and customer certification of 1.6T series products and LPO/LRO low-power products, driving the verification and promotion of new products such as ELSFP, XPO and NPO, while simultaneously enhancing production capacity at both domestic and overseas factories. In the access and wireless segments, the Company will focus on the development and sample delivery of Wi-Fi 8, 50G PON and AI-engine-equipped products, with will continue to invest in AI software and hardware as well as edge computing products.

(II) Product Lines

1. Telecom Broadband (Broadband Product Business Unit)

In the first half of 2026, the Telecom Broadband Product Business Unit recorded a decline in both cumulative shipments and revenue compared to the same period last year. The main reason was the continuous and significant global price increases of Flash and DDR, coupled with substantial price increases in PCB and MLCC in the first half of the year, which led to insufficient willingness of operators to purchase, with some adopting a wait-and-see stance. In terms of the shipment product mix, in the first half of 2026, the shipment volume and revenue of 25GPON+XGSPON+10GEPON both exceeded 60%, continuing the trend of a steady increase in the proportion of high-value products from last year. Although the global access networks market was somewhat restrained in the first half of the year due to rising material prices, in the era of AI, the trend of the access networks transitioning to high bandwidth will not change. In the first half of 2026, the business unit reached a cooperation intention with overseas operators for PON gateway products equipped with AI engines, with small-batch shipments scheduled for the second half of the year. In addition, the business unit secured new projects from major European operators and major American operators respectively, with volume shipments scheduled for 2027.

In the second half of 2026, the business unit will focus on the development of new products for major operators, ensure the mass production of new projects next year, promote the small-batch implementation of AI-engine-equipped products in the second half of the year, and develop Wi-Fi 8 products and 50GPON products so that samples can be delivered to overseas customers for testing by year-end. Meanwhile, in response to the price increases of Flash and DDR, the business unit has, on the one hand, optimized its software, and on the other hand, adopted Flash and DDR with smaller capacity and lower cost, making the business unit's products more competitive in the market. At present, the above measures have achieved positive results, and it is expected that a more cost-optimized version will be launched in the second half of the year for high-volume shipment products.

Management Discussion and Analysis (Continued)

2. *Wireless Networks and Edge Computing (Wireless Product Business Unit)*

In the first half of 2026, affected by the significant price increases and supply constraints of global memory chips (DDR and Flash), the Wireless Product Business Unit experienced a year-on-year decline in both shipment volume and operating revenue, while profit levels also came under pressure, with the relevant impact mainly concentrated in the second quarter. Taking Wi-Fi products as an example, the proportion of memory devices in total material costs rose from below 10% at the beginning of the year to approximately 40%, exerting considerable pressure on product gross margins. During the Reporting Period, the Business Unit, in coordination with the Company's procurement department, advanced the diversification of supply sources, accelerated the introduction and qualification of substitute materials, optimized hardware design and software resource utilization, and alleviated upward cost pressures through product mix optimization. These measures have already shown positive results on certain models.

In terms of products and markets, in the first half of 2026, shipments of Wi-Fi 7 products by the Business Unit accounted for over 60% of total shipments, with sales covering global markets, of which more than 90% of models were equipped with the Company's self-developed software system. In the first half of the year, the Business Unit prioritized the initiation of four telecom-grade Wi-Fi 8 home gateway product projects, with mass shipments expected to commence in early 2027. Both the Wi-Fi 8 gateways and the Company's proprietary cloud management platform will integrate AI capabilities for network self-optimization, fault self-diagnosis and home business experience assurance, so as to enhance product value-added and improve operational efficiency on the operator side.

In addition to the existing Wi-Fi product line, in the first half of 2026, the Business Unit launched a new AI edge embedded server product, AIU-100, targeting industrial applications. With computing power exceeding 200 TOPS, it supports a wide operating temperature range, and adopts industrial-grade dustproof design, capable of meeting edge-side AI inference requirements in scenarios such as smart manufacturing, energy and transportation. Samples have been delivered to industry customers.

In terms of 5G small cells, the sales scale remained stable in the first half of 2026, and the Business Unit newly developed an outdoor integrated small cell platform product for overseas markets, further refining its product portfolio for coordinated indoor and outdoor coverage.

Looking ahead to the second half of 2026, the Business Unit will continue to face challenges such as price increases in raw materials including memory devices, as well as changes in compliance requirements related to the place of production for consumer-grade router products in the U.S. market. Sales of the Company's existing certified models are not affected by the aforementioned changes. For new models, the Company is carrying out compliance preparations in an orderly manner in accordance with relevant procedures. The Business Unit will work closely with customers to jointly address cost pressures through material substitution and design optimization. In terms of product development, the Business Unit will make full-scale investments in Wi-Fi 8 and AI software and hardware products, promote the integration of wireless access and edge computing, and expand its presence in the industrial and enterprise markets to continuously broaden its business scope and customer coverage.

Management Discussion and Analysis (Continued)

3. High-speed Optical Module (Optoelectronics Business Unit)

In the first half of 2026, the Optoelectronics Business Unit completed certification testing for the next-generation 1.6T OSFP 2xDR4 and 1.6T OSFP 2xFR4 optical transceiver products, both based on two 3nm DSP chips and multiple 200G/lane high-density integrated silicon photonics technology. Mass production and shipment are expected to commence in the second half of 2026. In addition, the Company completed the development validation and customer sample delivery of the External Laser Small Form-factor Pluggable (ELSFP), with mass production shipments expected to begin in the second half of 2026. During the first half of 2026, the Company initiated the development of multiple new projects, including the 1.6T 2xDR4 LRO project, the 1.6T 2xLR4 10km project, the 12.8T XPO project, and various customized NPO product developments including 3.2T, 6.4T and 7.2T for various customers. These projects are expected to undergo R&D validation and customer sample delivery in the second half of 2026.

In the second half of the year, the Company will continue to expand R&D and production capacity across multiple product series, including 1.6T 2xDR4, 2xFR4, 2xLR4, 2xDR4 LPO, as well as 2xDR4 LRO and 2xFR4 LRO based on 3nm low-power transmitter DSP, to support the diverse needs of major overseas customers. The Company will also continue to advance the development and customer promotion of new products such as ELSFP, XPO, and particularly NPO.

The next-generation silicon photonics-based 800G OSFP 2xFR4/2xLR4 and 800G 2xDR4/2xDR4+ optical modules have completed certification with multiple major overseas customers and have already achieved mass production and shipment in the first half of 2026. Production capacity will be further expanded in the second half of the year.

In 2026, the Optoelectronics Business Unit of the Company has continuously strengthened material qualification and delivery management with core suppliers for key components of 800G/1.6T optical transceiver products, including DSP chips, silicon photonics chips, CW lasers, Faraday rotators/isolators, and fiber optic components (MT-FA, AWG, etc.). The Company has placed advance orders to secure production capacity for multiple key materials, making thorough preparations for mass delivery in the second half of 2026 and into 2027.

In the first half of 2026, the Company completed the overall move-in and gradual capacity expansion at Jiashan Plant II, achieving large-scale and continuous capacity expansion for multiple products — including 800G OSFP 2xDR4/2xDR4+, 800G OSFP 2xFR4/2xLR4, and 1.6T OSFP 2xDR4/2xDR4+ — across both Jiashan Plant II and overseas facilities, in order to meet the rapidly growing customer order demand for 2026 and 2027.

In the second half of 2026, the Company will continue to drive capacity expansion for next-generation 800G OSFP 2xDR4/2xDR4+, 800G OSFP 2xFR4/2xLR4, as well as 1.6T OSFP 2xDR4/2xDR4+ and 1.6T OSFP 2xFR4 products across multiple Jiashan plants and overseas facilities. The Company will also push forward with the mass production and customer certification of multiple new models, including the 1.6T OSFP 2xDR4 LRO (based on 3nm low-power transmitter DSP) and 1.6T OSFP 2xLR4 silicon photonics optical modules, to support the future large-scale demands of AI big-model customers and data center customers, thereby enabling mass shipment of these products.

Management Discussion and Analysis (Continued)

(III) Significant Subsidiaries

1. CIG USA

In the first half of 2026, in the face of a complex and changing global trade environment, CIG USA worked closely with the Company's headquarters to proactively address various challenges in the North American market, achieving solid results in market expansion, product R&D, and capacity deployment.

In terms of operations, CIG USA aligned with the Company's business strategy and actively promoted the expansion of local supply chains and production capacity in Mexico and the United States; trial production of broadband products in Mexico was completed in the first half of 2026, with mass shipment expected to commence upon customer certification, while the planning and design of cleanroom facilities for optical module production have been completed, with construction expected to finish and production to begin in early 2027. In response to new market access regulations for broadband and wireless products, CIG USA actively adjusted the production line configuration at its USA Massachusetts facility, with trial production of next-generation wireless routers and broadband products expected to start in the first half of 2027. In addition, the North American operations team actively supported and coordinated with the Company's strategy, providing support and coordination for the global expansion of upstream partners, thereby jointly advancing industry development.

On the sales and marketing front, driven by the sustained rapid growth in AI-related capital expenditures, North American customer demand for 800G, 1.6T optical module, and next-generation optical connectivity technologies continued to grow at a rapid pace; at the same time, however, supply chain pressure for core components also intensified, but through effective advance risk assessment, the Company proactively implemented various measures to drive upstream supply chain expansion and ensure supply, securing the delivery of key materials through a combination of investment, fix assets investment, and prepayments, and through effective coordination with major customers, improved production scheduling efficiency and delivery cadence, with 800G optical transceiver deliveries steadily increasing in the first half of 2026 and driving the Company's performance growth.

In the field of optical module, in terms of R&D and its layout, the Company has made progress in its pre-research efforts on NPO and XPO technologies. Prototype samples of NPO and XPO were showcased at a major North American industry exhibition in March, attracting industry attention and facilitating the launch of multiple collaborative product development projects, which actively contributed to the Company's medium- and long-term technology and product roadmap while effectively securing future business growth opportunities. Customer certification and mass production preparation for 1.6T products progressed in an orderly manner, with mass production and delivery preparations for the second half of 2026 and 2027 well underway, in line with major customer requirements and capacity ramp-up schedules. Iterative development and new version certification for existing products such as 800G also progressed steadily, with the ongoing introduction of alternative materials for key components providing strong assurance for stable mass production and delivery.

Management Discussion and Analysis (Continued)

2. *CIG Zhejiang*

The Jiashan facility of CIG Zhejiang, as a strategic-level production base, is positioned as a global smart manufacturing center, a global logistics management center, and a global R&D center. Its commencement of operations marks a critical milestone in the Company's high-end manufacturing capacity layout, providing solid support for production capacity assurance, global delivery capability enhancement, and overall competitiveness improvement.

In March 2026, the Optoelectronics Smart Manufacturing Base, Jiashan Plant II, officially commenced operations, further enhancing the overall capabilities of the CIG Jiashan Smart Manufacturing Base and continuously expanding the advanced manufacturing scale of high-end optical communication products. Through sustained investment in advanced manufacturing capabilities and key process development, the Company continues to improve supply chain coordination and delivery reliability, providing a robust foundation for future business growth and helping the Company achieve continued breakthroughs in the optoelectronics field.

(IV) Manufacturing

1. *Traditional Products and Smart Manufacturing*

In the first half of 2026, although the overall production output of the traditional business experienced a slight year-on-year decline, the Company proactively advanced the strategic optimization of its global production layout and successfully completed capacity restructuring and expansion. Overall operations remained stable and controllable, with significant progress achieved in implementing core strategies. The relevant production lines at the Vietnam production base have passed customer audits and certifications, successfully realizing overseas capacity deployment. The Vietnam production base is poised to emerge as a new pillar for the Company's core overseas operations as its capacity is progressively ramped up. This will enhance the bargaining power and delivery capabilities in overseas manufacturing, effectively lower offshore production costs, and realize a service framework characterized by "local responsiveness with global delivery."

Meanwhile, the Jiashan facility continued to drive capacity ramp-up, gradually focusing on the high-end customized product segment, establishing a global synergy system characterized by "high-end precision manufacturing + large-scale production." In the first half of the year, through strategic adjustments, the Company optimized its global production cost structure, and enhanced its rapid response capabilities across regional markets. Going forward, the Company will continue to advance deeper synergy within its global production system, accelerate the full-capacity utilization, and consolidate its global competitive advantages.

Management Discussion and Analysis (Continued)

2. *Malaysia Production Base*

In the first half of 2026, the Malaysia production base achieved breakthrough developments in both traditional business and optoelectronic products, becoming a crucial pillar of the Company's global capacity deployment. For traditional broadband and wireless businesses, the Base passed annual on-site audits and new product introduction site audits from several international customers, earning high praise from customers for its product delivery and quality assurance capabilities. For optoelectronic products, the Malaysia production base solidly implemented the Company's business plan, focusing on capacity expansion, new product trial production, smart manufacturing and order delivery. Various operating metrics progressed steadily, and overseas production and operation capabilities continued to be strengthened. In terms of capacity, the Base successfully completed the expansion of the workshop in Phase II, and a new dedicated production line commenced stable production, establishing a complete end-to-end optical transceiver manufacturing system overseas. Meanwhile, the expansion of new plant facilities in Phase III is advancing, and after the project commences production in the second half of 2026, production capacity will increase substantially, fully accommodating subsequent incremental orders. In terms of new products, the Base is proceeding with smart production process for 1.6T high-speed optical transceivers in an orderly manner, complementing the overseas production capacity layout for high-end products. Significant progress has been made in smart manufacturing and supply chain optimization. Through the introduction of automated COB production and inspection equipment as well as automated assembly equipment, reliance on manual labor has been effectively reduced, production standardization and quality stability have been further improved, and the product yield rate has increased by more than 15% compared to the same period last year. Additionally, the localization of certain materials has been advanced, shortening material delivery cycles and effectively improving production turnover efficiency and the self-controllability of the overseas supply chain. At the delivery level, the mass production of 800G optical transceivers is proceeding in an orderly manner. Leveraging the enablement of the domestic technical team, the local team quickly mastered full-process production and quality control capabilities. In the first half of 2026, the Base successfully completed its semi-annual delivery targets for 800G products, ensuring the stable fulfillment of customer orders.

3. Quality and Lean Management

In the first half of 2026, the Quality Management Center, closely aligned with the Company's strategic positioning and the annual quality policy of "proactive prevention, resilient assurance, and intelligent drive," comprehensively deepened the development of its quality management system. During the Reporting Period, the Company's quality management system operated smoothly and in an orderly manner, with overall product quality performance remaining stable and reliable. No major dangerous quality incidents, such as batch recalls from market, occurred, and the Company successfully passed customer audits and inspections by third-party certification authorities. Core business initiatives included: global facility quality enhancement to support production capacity expansion; product design quality assurance to intercept risks at the source; and supply chain quality coordination to ensure stable material supply.

(V) Market and Sales

1. Overseas Markets

In the first half of 2026, in the North American market, driven by the sustained rapid growth of AI-related capital expenditures, demand from North American customers for 800G and 1.6T optical transceivers and next-generation optical connectivity technologies continued to grow at a rapid pace. Meanwhile, supply chain pressures for core materials arising from this demand continued to increase. Given the Company's effective advance anticipation of relevant delivery risks, it proactively took various measures to drive upstream supply chain expansion and supply assurance, securing the delivery of key materials through a combination of investments, fixed asset expenditures and advance payments, while improving production scheduling efficiency and delivery rhythm through effective coordination with major customers. In the first half of 2026, deliveries of high-speed optical modules steadily increased, driving the Company's performance growth.

The shipments of residential gateways and Wi-Fi products in the European market remained stable, representing a modest year-on-year increase as compared to the same period last year, broadly in line with the expectations set at the beginning of the year. Residential gateway products in the Northwest European market have essentially completed the technology upgrade transition from GPON to XGSPON, while Eastern Europe has also begun its transition to XGSPON. Currently, the majority of customers' ONT gateways still adopt the Wi-Fi 6 standard.

In the Middle East market, residential gateways and Wi-Fi products account for a relatively small proportion of the Company's overall shipments. Affected by geopolitical conflicts and the blockade of shipping through the Strait of Hormuz, shipment volumes in the first half of 2026 declined significantly, with delivery schedules also experiencing certain delays. In response to the aforementioned uncertainties, based on the Company's advance assessment of geopolitical risks and the potential surge in material costs driven by the explosion in AI demand, the Company prompted customers to place orders and prepare materials ahead of schedule at the beginning of this year, effectively ensuring the achievement of first-half shipment targets. However, it should be noted that material prices (particularly DDR Flash) continue to ramp up, while delivery lead times for numerous materials are being extended. It is expected to significantly suppress end-market demand from the second half of 2026 through 2027, while also compressing the gross margins of Company's product.

Management Discussion and Analysis (Continued)

The Company adhered to the strategy of "stabilizing traditional business while exploring new growth points" in the Asia-Africa market, achieving stable development in its broadband and wireless product businesses. For traditional business, the JDM hardware business remained solid, expanding its reach to several key leading customers while serving existing clients well. In the Southeast Asian operator market, PON and home Mesh Wi-Fi businesses remained stable, and 5G small cell products achieved stable delivery in key markets such as Japan and South Korea. In exploring new growth points, home wireless Mesh Wi-Fi products achieved large-scale delivery in Southeast Asia. The Wi-Fi 7 Cloud+ Mesh solution completed multiple small-scale pilot projects in markets such as Southeast Asia and South Africa, and is currently in the phase of initiating batch delivery applications. Leveraging collaboration with a PON chip original manufacturer and adopting the latest AI ONT technology, the newly developed products are being jointly promoted with potential key customers, achieving effective breakthroughs. The newly developed AI industrial application system is being promoted to industry clients, with pilot breakthroughs already achieved. The comprehensive OLT+GPON/XG(S)PON solution targeting the operator market is now ready and is being rolled out across the market. The Company further deepened its agent and sales channel network in Southeast Asia and Africa, enhancing market coverage capabilities.

In the Japanese market, the Company focused on cooperation in core optical transceiver products. Leveraging the technical support of the CIG Japan R&D Center, it has achieved deep alignment of high-speed optical transceiver products with local customers, ensuring stable product delivery.

2. Domestic Market

The optical transceiver business remains the core business in the domestic market. Benefiting from demand driven by AI and data centers, orders and shipment volumes have experienced substantial growth. 800G optical transceivers, including 2×DR4, 1×DR8, and 2×FR4, are currently the mainstream products and have been shipped in large volumes to North America and the Asia-Pacific region. Concurrently, shipment volumes from the Jiashan base and the Malaysia plant entered a phase of steady growth in 2026H1, with both production capacity and yield rates having been significantly improved. In the first half of 2026, business progress with multiple customers for 1.6T optical transceivers, ELSFP optical transceivers, and NPO products achieved considerable development, exceeding expectations. Breakthroughs in new projects are the core factor supporting the high growth of the optical transceiver business.

Management Discussion and Analysis (Continued)

(VI) Supply Chain

1. Material Procurement

In the first half of 2026, driven by a significant surge in AI demand, structural supply-demand imbalances in the traditional business segment became increasingly pronounced, with cost pressures continuing to intensify. Prices of core components such as memory chips, PCBs, and MLCCs rose substantially, while delivery lead times were passively extended, driving up procurement costs. Market conditions remained highly uncertain, with sudden price adjustments and changes in capacity allocation strategies from original manufacturers. The Company carried out various initiatives centered around ensuring delivery, controlling costs, mitigating supply chain risks, and advancing domestic substitution, making every effort to secure production and material supply. The Company's ongoing strategic material stockpiling played a positive role in stabilizing delivery and controlling costs, alleviating some of the pressure on both cost and supply. A tiered management approach was implemented for core materials, maintaining price strategy negotiations and inventory reserves with key suppliers, while continuing to introduce domestic brands. Regular market trend tracking and price alerts were conducted, with a focus on monitoring cost fluctuations of core components, alongside collecting information on original manufacturers' delivery lead times and production capacity allocation to support project cost estimation and material preparation decisions. In the second half of 2026, the Company will continue to address uncertainties and fluctuations in component supply, with ensuring delivery as the top priority, while balancing cost optimization and supply chain security. The Company will further advance the implementation of domestic substitution to mitigate the cost pressures arising from material price increases, thereby supporting the stable business operations.

2. Planning, Warehousing, and Logistics

The global geopolitical and economic environment continued to exhibit the operating characteristics of "low growth and high uncertainty." Impacted by geopolitical events in certain regions, the uncertainty surrounding the global trade environment increased significantly. The global artificial intelligence industry continued its rapid growth, with accelerated investment in AI computing infrastructure and sustained expansion in data center construction, leading to growing demand for high-speed optical module products. In the face of this complex external environment and robust market demand, the Company, in close collaboration with various departments across the Company, successfully accomplished all work objectives in planning, warehousing and logistics for the first half of 2026.

Management Discussion and Analysis (Continued)

(VII) Corporate Management

1. Human Resource Management

In the first half of 2026, the Company's Human Resources Department closely aligned with the Company's strategic objectives and global business layout, and focused on key priorities including manpower assurance, talent development, and overseas talent deployment. It continuously optimized the human resource management system and strengthened the organizational talent foundation, providing strong support for the stable development of the Company's domestic and overseas businesses as well as the implementation of its internationalization strategy.

In the second half of the year, the Human Resources Department will continue to focus on optimizing talent recruitment, upgrading the standardization of the training system, and refining the global talent deployment. It will further deepen the development of the human resources system, while concurrently strengthening cadre management and mentorship mechanisms, so as to comprehensively empower organizational effectiveness and enhance talent value.

2. Cost Management

In the first half of 2026, centered on enhancing resource utilization efficiency, the Company's cost management center continuously optimized and streamlined departmental expense requirements. Through rigorous review, dynamic monitoring, and precise control, it effectively reduced non-essential expenditures and significantly improved the efficiency and effectiveness of resource allocation. Concurrently, the cost management center served the business divisions by deepening, refining, and customizing data analysis, establishing multi-dimensional data models and a visualization analysis framework. Leveraging data-driven precision insights, it innovatively proposed targeted control recommendations and optimization solutions, providing management with more scientific, systematic, and forward-looking bases for decision-making. Furthermore, the cost management center focused on strengthening cross-business segment, cross-departmental, and cross-business unit communication and collaboration mechanisms, building an efficient information sharing platform and coordinated response channels. It promptly coordinated and resolved various issues, promoted the sharing of knowledge and experience, and enhanced team synergy, significantly improving overall execution and responsiveness, thereby providing strong support for the continued enhancement of the Company's operational efficiency.

Management Discussion and Analysis (Continued)

3. Information Technology (IT)

In the first half of 2026, the Company's IT development, centered on its digital transformation strategy, completed several core system upgrades and project implementations, effectively enhancing operational efficiency, supply chain collaboration, and support for global production capabilities. In terms of core system upgrades, following the upgrade of the ERP system to the new D365 version, it maintained stable operation in the first half of the year. The Company will continue to deepen the informatization of financial management and advance the integration of financial systems. Through the optimization of the Group's OMS order management platform, S&OP accuracy has been improved, facilitating the enhancement of material planning and supply chain efficiency for multi-regional production. The Company provided support for the capacity expansion of the Jiashan facility by undertaking IT infrastructure development. It continues to upgrade and deploy smart manufacturing management information systems at production bases in Wuhan, Xi'an, Nantong, Malaysia, Germany, the United States, Vietnam, and Mexico, to adapt to the production requirements of new customers, new products, and new processes. The Company assisted in successfully passing system audits from both existing and new customers for qualified supplier status.

4. Technology Management

In the first half of 2026, the Company achieved significant results in technology management, completing a number of key tasks covering multiple areas, including: the Company has submitted its application for the 2025 Shanghai Top 100 Enterprises; its subsidiary, CIG Zhejiang, passed the evaluation for Zhejiang Provincial Innovative SMEs and was recognized as a Jiaxing Municipal High-tech Research and Development Center, completed the application for the digital workshop cultivation and registration, and received awards for the practical renovation and upgrade of factory ancillary facilities as well as relocation subsidies. In addition, the Company places high importance on and continues to promote intellectual property protection. In the first half of the year, the Company filed a total of 9 patent applications (including 6 invention patents) and successfully obtained 2 patent grants. The accumulation of these patents not only strengthens the Company's technological capabilities but also lays a solid foundation for its continued innovation and development.

Management Discussion and Analysis (Continued)

5. *Equity Incentives*

In the first half of 2026, the Company continued to advance the regular implementation of equity incentives, refining its long-term incentive and retention mechanism to attract and retain core talent, enhance the cohesion of its core team, and strengthen its core competitiveness. In June 2026, the Company considered and approved the resolutions related to the 2026 Share Option and Restricted Share Incentive Scheme, and made adjustments accordingly. It determined that June 11, 2026 would serve as the initial grant date, granting an aggregate of 3,998,450 share options to 1,056 incentive participants, at an exercise price of RMB113.71 per option. On June 18, 2026, the Company completed the registration of the equity interests for the initial grant of share options under this incentive plan. The actual number of grantees was 1,055, with a total grant of 3,998,050 share options (as one grantee, representing a total of 400 share options, voluntarily waived the right to all of its granted share options for personal reasons after the grant date and prior to the registration period). The continued implementation of equity incentives effectively aligns the interests of core employees with the Company's long-term development, stimulating the proactiveness and creativity of the core team.

6. *Hong Kong Stock Listing*

Following the successful completion of the Company's Hong Kong listing and financing in October 2025, the Company completed the placing of 15,600,000 new H shares in June 2026. The gross proceeds from the placing amounted to approximately HK$1,975.90 million, and the net proceeds from the placing (after deducting placing commissions and other related costs and expenses) amounted to approximately HK$1,966.97 million. The completion of this H-share placing has broadened the Company's financing channels, effectively supplemented its liquidity, and provided ample financial support for advancing strategic initiatives such as production capacity expansion, technology R&D, and global deployment.

ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core competencies supporting the development of the Company's principal business are reflected in the Company's outstanding capabilities and comparative advantages in customer resources, innovation and R&D, smart manufacturing, business models, products and services, management team, and international division of labor and collaboration.

1. Customer Resource Advantage

The main customers in the ICT terminal and communication equipment market are telecommunications operators and enterprise-level clients. Suppliers to these operators are primarily global large-scale communications equipment providers. These providers generally do not engage in the manufacturing of ICT terminals themselves; they typically cooperate with upstream ICT terminal manufacturers through models such as EMS, ODM, and JDM. The Company continuously expands its customer base, and its main customers now essentially cover the major downstream global communications equipment providers. The Company's high-speed optical transceiver products are sold to domestic and international clients, including communication equipment manufacturers, telecommunications operators, and data center operators. During the Reporting Period, the Company continued to deepen the cooperation with existing customers. Leveraging the strong market demand in the high-speed optical transceiver business, the Company achieved significant growth in order volume and further expanded its global market coverage.

Management Discussion and Analysis (Continued)

2. Innovation and R&D Advantage

The Company has long adhered to the core development philosophy of "pre-researching one generation, developing one generation, and mass-producing one generation." It insists on being driven by the twin engines of advanced R&D and smart manufacturing, continuously innovating in engineering technology and efficiency-driven processes. It has built a collaborative and complementary R&D system spanning China, the United States, and Japan, conducting efficient R&D focused on market and customer needs, thus forming a full-chain innovation capability from pre-research to commercialization. The Company continues to invest significantly in R&D, engaging in deep technological collaboration with suppliers and partners to integrate technological resources, resulting in a continuous enrichment of new products and steady improvement in technical performance. Concurrently, it increases investment in forward-looking pre-research, closely tracks industry trends, and quickly enters new product and technology areas. During the Reporting Period, the Company deeply participated in 50G PON technology discussions and standard setting, continuously conducted R&D of products related to the Wi-Fi 7 standard, and initiated R&D on miniaturized, low-power optical transceivers for small cells. The Company launched the development of several new projects, including the 1.6T 2×DR4 LRO project, the 1.6T 2×LR4 10km project, the 12.8T XPO project, as well as customized development for multiple NPO products. Several 400G and 800G silicon photonics products were successfully iterated. Concurrently, the Company advanced the layout for 1.6T LPO/LRO optical transceivers. Its early deployment in silicon photonics technology aligns well with industry trends, meeting the high-speed interconnect demands of AI computing centers and data centers across multiple dimensions.

3. Smart Manufacturing Advantage

Leveraging its technological accumulation in the industrial IoT field and integrating digitalization and AI technologies, the Company is efficiency-driven and continues to increase investment in IT and automation R&D, building a highly automated smart manufacturing system. Through self-developed production information systems, integrating technologies such as robotic arms, automated assembly lines, and flexible production lines, it is gradually achieving comprehensive intelligence in products, equipment, production, management, and services, while maintaining the capability to meet small-batch, customized needs and to control costs. During the Reporting Period, the Company continued to increase investment in the smart manufacturing sector, continuously optimizing its technology system. The new Jiashan facility focused on increasing production capacity for 800G series products and successfully passed on-site process certifications by key customers, achieving significant results in production efficiency improvement and product quality control. By continuously optimizing core processes such as optical transceiver product testing, it further consolidated its achievements in cost reduction and efficiency enhancement, bringing its smart manufacturing capabilities to a new level.

Management Discussion and Analysis (Continued)

4. Business Model Advantage

The ICT industry is characterized by rapid technology and application iteration, with the division of labor and collaborative landscape in the industry chain continuously being reshaped. Leveraging its deep core R&D heritage, the Company flexibly adapts to the division of labor in the industry chain, constructing a business model that synergistically combines JDM, ODM, and its own brand. During the Reporting Period, the Company continuously optimized and adjusted its business model based on industry development characteristics. It increased the application of the JDM model in the small cell sector, collaborating with traditional partners to expand the market for integrated small cell products, and licensed partners to sell into specific market segments through IP licensing models, forming a diversified and synergistic business model landscape. Currently, the Company can provide comprehensive services including complete software, standard hardware designs, and customized products (R&D on demand), continuously enhancing its adaptability to the industry and maintaining a stable foothold amidst fierce market competition.

5. Product and Service Advantage

The Company has established an end-to-end product service system. During the Reporting Period, it achieved mass delivery of core products such as 800G optical transceivers and Wi-Fi 7. It has developed differentiated advantages in areas such as product quality control, shortened delivery cycles, and responsiveness to customized service requests. Coordinating across all stages, the Company provided customized services to customers, committed to enhancing quality, shortening lead times, and controlling costs.

6. Management Team Advantage

The Company's management team possesses an international background and strong learning capabilities. In response to the societal transformation trends driven by artificial intelligence, they keenly perceive uncertainties in the industry, market, and corporate environment, continuously driving iterative innovation in technology, markets, and products. Facing market changes and new industry trends, the management team can promptly adjust competitive strategies and responses, flexibly implement changes, and fully leverage its ability for rapid adaptation. They rationally assess the impact of current changes while also paying attention to potential shifts in future industry development. During the Reporting Period, in response to the constantly changing geopolitical situation, the management team made proactive and effective decisions. By driving the global deployment of production bases in Malaysia, Germany, the United States, and Mexico, they precisely seized market opportunities, propelling the Company towards continuous breakthroughs in new products, new markets, and new technologies, achieving spiral development.

7. International Division of Labor and Collaboration Advantage

The Company has built a global footprint for R&D, production, and sales, creating efficient synergy between technology R&D, manufacturing, and sales services. The R&D center and sales team in Silicon Valley, the USA closely monitor cutting-edge technology trends, accurately capturing new requirements from major North American customers. The Japan R&D center, co-located with mainstream optical chip suppliers, significantly enhances communication and collaboration efficiency across the upstream and downstream value chain. R&D centers and manufacturing bases in Shanghai, Xi'an, Wuhan, and Nantong collaborate closely with China's developed supply chain, effectively reducing product costs and manufacturing expenses. The Company's overseas footprint continues to improve. The Malaysia facility operates steadily, while the Germany-Poland production base serves the European market closely, and the US and Mexico production bases specifically serve North American customers. The Company continues to optimize its capacity structure to accommodate the customized needs of diverse clients. During the Reporting Period, the Company further strengthened the synergistic effects of division of labor and collaboration across regions. Global resource allocation continues to optimize, significantly enhancing the Company's comprehensive competitiveness in international markets.

Leveraging its core technological advantages built upon R&D innovation and smart manufacturing, combined with the team's dedicated spirit, the Company has established a moat of core competencies. Through global deployment and deep integration with customers, it uses technological innovation and smart manufacturing as dual engines to create differentiated competitive barriers. During the Reporting Period, the Company continuously consolidated its core competencies in all areas, effectively responding to challenges such as industry technology upgrades and geopolitical factors. This has laid a solid foundation for subsequent expansion of high-end production capacity and strengthened market development both domestically and internationally, ensuring the Company achieves long-term, balanced, and sustainable development while creating value for its shareholders.

Management Discussion and Analysis (Continued)

KEY OPERATIONAL PERFORMANCE DURING THE REPORTING PERIOD

(I) Analysis of Principal Business

Table of analysis of changes in related items of financial statements

Unit: Yuan Currency: RMB

Item	Current Period Amount	Previous Period	Amount Change (%)
Operating Revenue	2,705,007,720.63	2,035,126,267.94	32.92
Operating Cost	1,872,682,598.96	1,587,118,993.01	17.99
Selling Expenses	60,093,174.68	52,041,637.00	15.47
Administrative Expenses	115,245,082.52	104,007,615.45	10.8
Finance Costs	199,407,417.46	7,306,842.69	2,629.05
R&D Expenses	208,843,303.94	160,784,933.50	29.89
Net Cash Flow from Operating Activities	−1,113,134,302.58	−189,867,967.38	N/A
Net Cash Flow from Investing Activities	−801,344,304.84	−324,600,517.28	N/A
Net Cash Flow from Financing Activities	777,373,341.69	585,102,974.60	32.86

Explanation for Change in Operating Revenue: Mainly due to strong market demand driving increased orders, with the high-speed optical module business showing significant growth;

Explanation for Change in Operating Cost: Mainly due to the increase in revenue scale;

Explanation for Change in Selling Expenses: No significant changes during the period;

Explanation for Change in Administrative Expenses: No significant changes during the period;

Explanation for Change in Finance Costs: Mainly due to changes in foreign exchange rates;

Explanation for Change in R&D Expenses: No significant changes during the period;

Explanation for Change in Net Cash Flow from Operating Activities: Mainly due to increased procurement of raw materials during the period;

Explanation for Change in Net Cash Flow from Investing Activities: Mainly due to increased purchases related to new factory construction and equipment;

Explanation for Change in Net Cash Flow from Financing Activities: Mainly due to overseas fundraising during the period;

Management Discussion and Analysis (Continued)

(II) Analysis of Assets and Liabilities

1. Assets and Liabilities

Unit: Yuan Currency: RMB

Item	Amount at End of Current Period	% of Total Assets at End of Current Period	Amount at End of Previous Year	% of Total Assets at End of Previous Year	YoY Change (%)	Explanatory Notes
Notes Receivable	992,876.07	0.01	27,040.00	0.00	3,571.88	Mainly due to changes in commercial acceptance bills
Accounts Receivable	2,619,379,049.65	19.2	1,997,720,164.78	16.78	31.12	Mainly due to increased sales to customers during the current period
Prepayments	557,830,256.43	4.09	168,639,509.56	1.42	230.78	Mainly due to an increase in prepayments
Other Receivables	5,816,290.58	0.04	8,416,085.80	0.07	−30.89	Mainly due to changes in deposits and guarantees
Inventories	3,197,101,475.74	23.44	2,375,753,927.22	19.95	34.57	Mainly due to an increase in raw materials during the period
Other Current Assets	385,874,116.98	2.83	214,197,419.08	1.80	80.15	Mainly due to an increase in the input tax to be deducted
Long-term Equity Investment	229,685,068.49	1.68	128,737,434.00	1.08	78.41	Mainly due to external investments in the current period
Other Non-current Financial Assets	21,560,490.00	0.16	14,560,490.00	0.12	48.08	Mainly due to changes in equity instrument investments
Construction in Progress	947,472,423.38	6.95	457,643,424.22	3.84	107.03	Mainly due to equipment purchases
Right-of-use Assets	171,157,864.72	1.25	126,370,497.24	1.06	35.44	Mainly due to the lease of factory buildings at CIG Zhejiang
Long-term Prepaid Expenses	72,067,395.65	0.53	16,049,231.20	0.13	349.04	Mainly due to the factory renovation of CIG Zhejiang
Short-term Borrowings	1,044,485,624.63	7.66	1,939,913,706.47	16.29	−46.16	Mainly due to a decrease in bank borrowings
Notes Payable	31,987,912.56	0.23	49,445,057.64	0.42	−35.31	Mainly due to a decrease in commercial acceptance bills
Accounts Payable	2,412,260,616.86	17.68	1,779,655,480.60	14.95	35.55	Mainly due to an increase in payables for goods
Non-current Liabilities Due Within One Year	102,538,728.38	0.75	268,776,780.41	2.26	−61.85	Mainly due to changes in long-term borrowings due within one year
Other Current Liabilities	3,955,449.03	0.03	11,323,858.77	0.10	−65.07	Mainly due to a decrease in sale-and-leaseback lease payments due within one year
Lease Liabilities	159,866,413.03	1.17	114,626,772.04	0.96	39.47	Mainly due to an increase in the lease of factory buildings and equipment at CIG Zhejiang
Deferred Tax Liabilities	15,475,712.28	0.11	6,306,361.78	0.05	145.4	Mainly due to the tax differences arising from asset depreciation
Trading Financial Assets	10,006,515.78	0.07	0.00	0.00	N/A	Mainly due to new investments made during the current period
Other Non-current Assets	289,324,758.80	2.12	54,279,725.31	0.46	433.03	Mainly due to changes in prepayments for equipment

Management Discussion and Analysis (Continued)

2. *Overseas Assets*

(1) Asset Size

Among which, overseas assets amounted to RMB4,389.7683 million, accounting for 32.18% of total assets.

(2) Explanatory Notes on High Proportion of Overseas Assets

Unit: ’0,000 Currency: RMB

Name of Overseas Asset	Reason for Formation	Operation Model	Operating Revenue for the Reporting Period	Net Profit for the Reporting Period
Cambridge Industries Group Limited	Established by capital contribution due to business development needs	Self-operated	0.00	155.99
Cambridge Industries USA Inc.	Established by capital contribution due to business development needs	Self-operated	233,958.63	61,973.10
CIG Photonics Europe GmbH	Established by capital contribution due to business development needs	Self-operated	291.41	−107.88
Cambridge Industries Group Telecommunication Limited	Established by capital contribution due to business development needs	Self-operated	84,720.99	−144.73
CIG Photonics Japan Limited	Acquired through business development needs	Self-operated	6,409.52	−64.96

Management Discussion and Analysis (Continued)

Unit: '0,000 Currency: RMB

Name of Overseas Asset	Reason for Formation	Operation Model	Operating Revenue for the Reporting Period	Net Profit for the Reporting Period
Actiontec Electronics, Inc.	Acquired through business development needs	Self-operated	4,852.99	159.83
Actiontec Electronics Taiwan Inc.	Established by capital contribution due to business development needs	Self-operated	1,578.79	612.92

3. *Capital Structure*

(1) *Financial Resources and Financial Policy*

During the Reporting Period, the Group optimized its capital structure to reduce financial risks and lower financial costs. The Group's business faces various financial risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risk), credit risk, and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge against the risks of foreign currency exchange rate and interest rate fluctuations. The Group's borrowings are primarily denominated in RMB.

As of June 30, 2026, the Group's cash and cash equivalents are primarily held in RMB, with some in US Dollars ("USD"), Hong Kong Dollars ("HKD"), and a small amount in Euros ("EUR"), Japanese Yen ("JPY"), and Taiwan Dollars ("TWD").

(2) *Debts*

As at June 30, 2026, the Group had total bank credit facilities of RMB4,200.0 million (December 31, 2025: RMB3,850.0 million), of which RMB2,774.4 million (December 31, 2025: RMB1,617.2 million) remained unused and was available for withdrawal at any time. These bank credit facilities were mainly short-term working capital loans. All of the Group's borrowings as at June 30, 2026 will mature within one year. During the Reporting Period, the Group did not encounter any difficulties in renewing bank loans with lenders. As at June 30, 2026, part of the Group's borrowings from banks and other financial institutions were at floating interest rates. The effective annual interest rate of our bank loans for the six months ended June 30, 2026 ranged from 2.15% to 3.0% (for the year ended December 31, 2025: 2.3% to 3.5%).

Management Discussion and Analysis (Continued)

(3) Gearing Ratio

As at June 30, 2026, the Group's gearing ratio was 30.94% (December 31, 2025: 36.51%), which was calculated by dividing total liabilities by total assets at the end of the year.

(III) Companies with Equity Incentive or Employee Stock Ownership Plans May Choose to Disclose Net Profit After Deducting the Impact of Share-Based Payment

Unit: Yuan Currency: RMB

Key Accounting Data	The Reporting Period (January-June)	Same Period of the Previous Year	YoY Change (%)
Net Profit After Deducting Impact of Share-Based Payment	276,021,886.32	124,403,001.73	121.88

(IV) Analysis of Investment Activities

Overall analysis on external equity investment

Unit: '0,000 Currency: RMB

Investment Situation	Amount
Investment amount during the Reporting Period	15,500.00
Investment amount during the same period of the previous year	0.00
Increase/decrease in the Company's equity investment amount during the Reporting Period compared to the same period of the previous year	15,500.00
Increase/decrease (%)	N/A

Significant Equity Investments

Unit: '0,000 Currency: RMB

Investee Company Name	Principal Business	Whether the Target's Principal Business is Investment	Investment Method	Investment Amount	Shareholding Ratio	Whether Consolidated	Source of Funds	Partner (if applicable)	Investment Term (if any)	Progress as of Balance Sheet Date	Expected Return (if any)	Impact on Current Period Profit/ Loss	Whether Involved in Litigation
CIG USA		No	Capital Increase	0.00	100.00%	Yes	Proceeds from the issuance of overseas listed foreign shares (H shares)			Unpaid capital contribution			No
Suzhou Etern-laser Optoelectronic Technology Co., Ltd.		No	Capital Increase	500.00	0.55%	No	Proceeds from the issuance of overseas listed foreign shares (H shares)	Jiangsu Etern Co., Ltd., et al.		Unpaid capital contribution			No
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	PE/VC	Yes	Acquisition	500.00	99.9900%	Yes	Proceeds from the issuance of overseas listed foreign shares (H shares)	Shanghai Zhifengzhizi Private Fund Management Co., Ltd.		Completed			No
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	PE/VC	Yes	Capital Increase	30,500.00	99.9975%	Yes	Proceeds from the issuance of overseas listed foreign shares (H shares)	Shanghai Zhifengzhizi Private Fund Management Co., Ltd.		Note (4)			No
Total	/	/	/	31,500.00	/	/	/	/	/	/			

Management Discussion and Analysis (Continued)

(1) *Capital Increase in CIG USA*

To implement the strategic plan outlined in the Company's H-share prospectus regarding "strengthening R&D investment, expanding production capacity, and expanding global markets," the Company, at the 23rd meeting of the 5th session of the Board of Directors held on December 8, 2025, approved the "Proposal on Capital Increase for a Wholly-Owned Overseas Subsidiary." It agreed to increase capital in its wholly-owned overseas subsidiary, CAMBRIDGE INDUSTRIES USA INC. (CIG USA), by USD100 million (approximately RMB707.49 million based on the central parity rate on December 5, 2025), using proceeds from the issuance of overseas listed foreign shares (H shares). For details, please refer to the "Announcement on Capital Increase for Wholly-Owned Overseas Subsidiary" (Announcement No.: Lin 2025–076) disclosed by the Company on December 9, 2025. This capital increase is still subject to relevant approvals and filing procedures with Chinese administrative authorities regarding fund outbound remittances and outbound investments. The Company will advance subsequent fund transfers and capital contributions based on Board authorization. The capital increase funds will be specifically used for business activities such as capacity expansion, R&D enhancement, and market expansion.

(2) *Capital Increase in Etern-laser Optoelectronic*

To strengthen its position in the industrial chain for optical components, chips, and core ICs, and enhance supply chain resilience and strategic synergy, the Company participated in the capital increase and share expansion of Suzhou Etern-laser Optoelectronic Technology Co., Ltd. ("Etern-laser Optoelectronic"). It used RMB5 million from the proceeds raised through the issuance of overseas listed foreign shares (H shares) to subscribe for Etern-laser Optoelectronic newly increased registered capital of RMB139,023, with the remaining portion of the capital increase being recorded as Etern-laser Optoelectronic's capital reserve. Upon completion of this capital increase, Etern-laser Optoelectronic's registered capital will increase from RMB23,633,875 to RMB25,163,127, and the Company will hold 0.5525% of its equity.

Management Discussion and Analysis (Continued)

(3) Acquisition of Yangzhong Xingfu Jiayuan

To strengthen its presence in the optical component, chip, and core IC sectors and enhance strategic synergy, the Company, at the 23rd meeting of the 5th session of the Board of Directors held on December 8, 2025, approved the "Proposal on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions." It agreed to use RMB5 million from the proceeds from the issuance of overseas listed foreign shares (H shares) to acquire a 99.99% property share in Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership) held by Chen Lu (corresponding to a subscribed share of RMB100 million, with RMB5 million already paid-in). For details, please refer to the "Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" (Announcement No.: Lin 2025–077) disclosed by the Company on December 9, 2025. During the Reporting Period, the Company received notification from the fund manager that the transfer of the partnership units held by Chen Lu was completed, and the partnership completed its filing with the Asset Management Association of China, with the filing code SBKK71. For details, please refer to the "Progress Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" (Announcement No.: Lin 2025–079) disclosed by the Company on December 27, 2025. The delivery of the relevant property shares and the filing procedures for this acquisition have been completed.

(4) Capital Increase in Yangzhong Xingfu Jiayuan

To diversify the Company's investment portfolio and maximize strategic and operational synergies, the Company, at the 23rd meeting of the 5th session of the Board of Directors held on December 8, 2025, approved the "Proposal on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions." It agreed to act as a limited partner and use proceeds from the issuance of overseas listed foreign shares (H shares) to increase its subscribed capital in Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership) (hereinafter referred to as "Yangzhong Fund") by RMB300 million. Following this acquisition and capital increase, the Company's total subscribed capital contribution amounted to RMB400 million, accounting for 99.9975%. For details, please refer to the "Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" (Announcement No.: Lin 2025–077) disclosed by the Company on December 9, 2025. During the Reporting Period, the partnership completed its filing with the Asset Management Association of China in accordance with relevant laws and regulations, with the custodian being Industrial Bank Co., Ltd., and the filing date being December 17, 2025. For details, please refer to the "Progress Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" (Announcement No.: Lin 2025–079) disclosed by the Company on December 27, 2025. The Company will fulfill its paid-in capital contribution obligations according to the partnership agreement and will closely monitor the subsequent investment operations of the fund.

Management Discussion and Analysis (Continued)

On January 20, 2026, the Company convened the 26th meeting of the 5th session of the Board of Directors by way of communication vote, which reviewed and approved the "Proposal on Providing Financial Assistance to Associates." It agreed to sign the Convertible Loan Agreement (《可轉換借款協議》) between Yangzhong Fund (揚中基金), an entity included within the scope of the Company's consolidated statements, and Casela Technologies, an investee company of the subsidiary. Yangzhong Fund will provide a convertible loan of RMB80,000,000 to Casela Technologies, with a term from the effective date of the Agreement to February 1, 2027, at a fixed annual interest rate of 3%. Pursuant to the Agreement, if Casela Technologies meets the conditions for debt-to-equity conversion in any quarter of 2026, the principal of the loan within the current debt-to-equity conversion quota and the corresponding interest shall be waived and converted into equity investment of Yangzhong Fund in Casela Technologies in accordance with the Agreement. Any principal of the loan and corresponding interest that are not converted into equity investment by Yangzhong Fund shall be repaid in full by Casela Technologies to Yangzhong Fund on or before February 1, 2027 at the latest. No guarantee measures were arranged for this transaction. The relevant funds for this financial assistance were sourced from the proceeds from the Company's issuance of overseas listed foreign shares (H shares). For details, please refer to the "Announcement on Providing Financial Assistance to Associates" (Announcement No.: Lin 2026–007) disclosed by the Company on January 21, 2026. Following negotiations between Yangzhong Fund and Casela Technologies, it was decided to convert the entire loan under the original agreement in advance, being RMB80 million, into an equity investment in Casela Technologies in a lump sum. The conversion price shall refer to the price of Casela Technologies' new round of equity financing as set forth in the Agreement, and the price discount arrangement in the original agreement shall be waived. Upon completion of this new round of equity financing and the debt-to-equity conversion, the registered capital of Casela Technologies increased from RMB8,634,719 to RMB13,573,609. Yangzhong Fund's contributed registered capital amount increased from RMB1,425,180 to RMB2,151,534, with its shareholding ratio decreasing from 16.5052% to 15.8509%. For details, please refer to the "Progress Announcement on Providing Financial Assistance to Associates" (Announcement No.: Lin 2026–034) disclosed by the Company on June 27, 2026.

As of June 30, 2026, the Company had cumulatively contributed RMB310 million in paid-in capital to Yangzhong Xingfu Jiayuan.

Management Discussion and Analysis (Continued)

(V) Analysis of Major Subsidiaries and Associates

Unit: '0,000 Currency: RMB

Company Name	Company Type	Principal Business	Registered Capital	Total Assets	Net Assets	Operating Revenue	Operating Profit	Net Profit
CIG Optical Communication Co., Ltd.	Subsidiary	Manufacturing	RMB5 million	358.56	254.70	653.78	−1.64	2.13
CIG Shanghai Communication Equipment Co., Ltd.	Subsidiary	Trading	RMB205 million	148,502.92	7,503.58	94,474.42	−4,915.76	−4,916.65
Actiontec Shanghai	Subsidiary	R&D	RMB1,654,595	144.14	−83.03	689.39	57.60	72.07
CIG Wuhan Co., Ltd.	Subsidiary	Manufacturing	RMB10 million	4,987.94	3,047.20	8,813.34	−1,272.92	−1,261.11
CIG Xi'an Co., Ltd.	Subsidiary	R&D	RMB10 million	747.82	−68.31	129.54	−12.62	−9.88
CIG Zhejiang Telecommunication Equipment Co., Ltd.	Subsidiary	Manufacturing	RMB450 million	466,855.19	16,685.86	133,811.70	−17,196.13	−16,142.75
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	Subsidiary	Investment	RMB400.01 million	30,821.89	29,582.07	—	−494.88	−494.88
Cambridge Industries Group Telecommunication Limited	Subsidiary	Trading	HKD1	100,488.86	−532.47	84,720.99	−144.73	−144.73
Actiontec Electronics, Inc.	Subsidiary	R&D and Trading	USD10	3,287.06	−5,669.83	4,852.99	161.90	159.83
Actiontec Electronics Taiwan Inc.	Subsidiary	R&D	TWD9,999,290	902.15	559.39	1,578.79	612.92	612.92
CIG Photonics Japan Limited	Subsidiary	R&D	JPY10,000	34,788.49	1,284.43	6,409.52	−103.90	−64.96
Cambridge Industries Group Limited	Subsidiary	Trading	HKD1	1,335.88	1,335.88	—	−0.23	155.99
Cambridge Industries USA Inc.	Subsidiary	R&D and Trading	USD42 million	297,385.53	98,103.18	233,958.63	61,971.10	61,973.10
CIG Photonics Europe GmbH	Subsidiary	Trading	EUR25,000	788.87	−121.42	291.41	−89.59	−107.88

(VI) Potential Risks

1. *Macro Market Risks*

(1) Risk of Changes in Industry Policies

National industrial policies continue to promote the high-quality upgrading and development of the optical communications industry, and the construction of domestic 10-gigabit optical networks and the industrialization of technologies such as 50G PON continue to advance, providing support for the development of the industry. However, the development of the optical communications industry is heavily dependent on industrial policies. Should there be major adjustments in the future to relevant industrial policies concerning new digital infrastructure and computing power construction, it may lead to a slowdown in industry demand growth and constrain the pace of market expansion. The Company's overseas revenue accounts for a relatively high proportion, making it susceptible to changes in the international situation and policies of various countries. Some countries and regions, in order to protect their local optical communications industries, have successively introduced trade protectionist policies such as import restrictions and tariff hikes, which will increase the Company's export costs, weaken the price competitiveness of its products, and create a risk that its overseas market share may be squeezed by local enterprises. At the same time, some countries are dynamically adjusting their communications infrastructure plans, reducing the scale of procurement of optical communications equipment, changing technical standards or delaying construction schedules, which may lead to a decline in the Company's orders and adversely affect its operating results and long-term development.

Management Discussion and Analysis (Continued)

(2) Technology Risk

The optical communications industry in which the Company operates is experiencing an accelerating pace of technological upgrading, with a pronounced trend toward product diversification and high-end development. The journey from R&D and industrialization to market commercialization of new technologies involves considerable uncertainties. If the direction of product R&D does not align with actual market demand, it will directly affect the Company's market competitiveness and sustainable development capabilities. In 2026, the pace of industry technology upgrades has accelerated further. 50G PON has officially entered the stage of large-scale commercial deployment, and the technical complexity of bringing this technology to market has increased significantly compared to 10G PON. Should the Company lag behind in R&D, mass production or market promotion of this product series, it would miss out on the market opportunities brought by the 10-gigabit optical network upgrade. In addition, technical standards in the Wi-Fi field continue to evolve, with Wi-Fi 7 entering the global phase of large-scale commercial adoption and Wi-Fi 8 currently at the technical draft stage. If the Company fails to timely follow up with new technical standards and complete product iterations, its related Wi-Fi devices will lose their market competitiveness. In the small cell sector, requirements for device integration, power consumption control and coordination with macro base stations continue to increase. If the Company's small cell products under development fail to meet the latest industry technical requirements, it will be difficult for the Company to maintain a sustainable position in this field.

At the same time, emerging alternative technologies such as low-orbit satellites and 5G FWA are developing rapidly, continuously eroding the market share of traditional PON, Wi-Fi equipment and small cells. If the Company fails to adjust its product strategy in a timely manner and position itself in emerging technology areas, it will face the risk of declining market share. As 800G optical modules gradually move into large-scale mass production, and technologies such as 1.6T optical modules, silicon photonics integration and power consumption optimization continue to advance, while technological routes including NPO, CPO and LPO develop in parallel, industry competition may further intensify. If the Company makes errors in its choice of technology roadmap, or if its investment in emerging technology R&D is insufficient or its progress lags behind the industry average, it will directly weaken the core competitiveness of its products, thereby affecting the Company's market share and revenue growth.

Management Discussion and Analysis (Continued)

(3) Risk of Exchange Rate Fluctuations

In the first half of 2026, the exchange loss amounted to approximately RMB202 million, which had a certain negative impact on the performance growth for the period, but did not change the overall trend of expected performance growth. If the RMB maintains an appreciation trend against the USD in the future, it will directly reduce the RMB-equivalent revenue from the Company's overseas business, negatively impacting performance. Conversely, if the RMB depreciates against the USD, it will have a positive effect on the Company's performance. The Company's exchange gains/losses are mainly reflected at the book level. Due to factors such as increased volatility in the international exchange rate market and the difficulty in predicting exchange rate trends, it is challenging to pre-lock the impact of exchange rate fluctuations on operating profit using financial instruments like forward settlement and sale of foreign exchange. Although the Company has taken measures to hedge exchange rate risk, such as increasing import procurement settled in US dollars, obtaining USD loans domestically, and expanding domestic orders settled in local currency, the effectiveness of these measures is still constrained by changes in market conditions and cannot completely eliminate the potential impact of exchange rate fluctuations on the Company's operations.

(4) Geopolitical Risk

In recent years, the US administration's economic and trade policy towards China remained tense and complex. It successively implemented measures such as imposing tariffs and launching "reciprocal tariffs." Although there were subsequent dynamics like rate adjustments and discussions on exemptions, the overall policy predictability remained low, exacerbating uncertainty in the global economy and trade markets. The pressure on the Company's overseas market operations continued to increase. If the progress of its globalization deployment falls short of expectations, it will directly increase the difficulty of acquiring customers in overseas markets. Simultaneously, supply chain security has garnered high attention from major countries globally, with policies like "China Plus One" being increasingly enforced. The trend of market fragmentation is evident, and the pace of the optical communication industry's shift towards regions like Southeast Asia is accelerating. The competitive landscape of the global optical communication industry is continuously reshaped by geopolitical factors, further increasing the complexity and intensity of market competition.

Management Discussion and Analysis (Continued)

The Company's global production capacity deployment played a core role in mitigating geopolitical risks. During the Reporting Period, following adjustments in US tariff policies towards China, the tariff advantage of the Malaysia facility became increasingly prominent. The vast majority of products exported to the US were produced at the Malaysia base, which was not subject to the main tariff measures, effectively avoiding the direct impact of tariff policies. The proportion of products exported to the US from domestic factories was minimal, and most related freight and tariff costs were borne by customers, resulting in a limited impact on the Company's overall operations. Additionally, the Company's Germany-Poland production base can serve European market customers closely, while the mass production capacity of its North American (including Mexico) production base continues to increase, further enhancing localized supply capabilities to precisely meet the procurement needs of North American customers. Compared to setting up factories in regions like Vietnam or Thailand, the Company's overseas production bases offer significant advantages in tariff costs and policy adaptability, making the overall impact of geopolitics and tariff policies manageable. The Company has established a regular communication mechanism with customers to jointly explore solutions to address tariff policy changes.

In the future, the Company will continue to closely monitor global geopolitical dynamics and policies of various countries, using its overseas production capacity deployment as a core lever to address geopolitical uncertainty. By continuously optimizing its capacity footprint, enhancing product and service capabilities, and assisting customers in mitigating policy risks, it will promote the stable development of its overseas business. Leveraging the tariff advantages of its Malaysia facility and the localized supply capabilities of its North American base, it will further hedge against operational risks arising from tariff fluctuations and geopolitical factors.

2. *Business Operation Risks*

(1) Risk of Loss of Core Technical Personnel and Technology Leakage

As a high-tech enterprise in the optical communication industry, the Company's core technologies and R&D personnel are its core competitiveness for sustainable development. Currently, the Company has accumulated a wealth of patented and non-patented technologies through independent R&D, mergers and acquisitions, and technology licensing, and has a strong pool of outstanding R&D talent. To mitigate the risks of technology leakage and the loss of core talent, the Company has established a comprehensive technology management system and signed legal documents such as confidentiality agreements and non-compete agreements with its core technical personnel, ensuring technology and talent stability at both the institutional and legal levels. However, technology competition in the optical communication industry is intensifying, and the competition for core technical talent continues to escalate. It is still difficult to completely eliminate the possibility of losing core technical personnel due to industry competition, personal development, or other reasons. The loss of core technical personnel or an incident of technology leakage would directly impact the Company's technology R&D progress and the core competitiveness of its products, severely adversely affecting its sustained R&D and business development.

(2) Risk of High Customer Concentration

The Company's customers are primarily large communication equipment providers in the ICT industry. The upstream and downstream structure of the optical communication industry determines the relatively concentrated nature of the Company's customer base. If a major customer significantly reduces its procurement of the Company's products due to its own declining operating performance, strategic adjustments, industry fluctuations, or if the cooperative relationship with the Company undergoes a fundamental change, and the Company fails to promptly develop new high-quality customers and emerging markets, this could directly lead to a decline in the Company's product sales volume and expose its operating results to the risk of significant decline.

Although leading high-speed optical transceiver companies in the industry have effectively reduced customer concentration risk through the standardized layout of 800G products, highlighting the risk-mitigating role of technology pathway selection and product standardization, the Company still needs to continuously promote product diversification and market expansion to address the operational uncertainty brought by high customer concentration.

3. Financial Risks

(1) Risk of Inventory Write-downs

The Company's inventory mainly consists of finished goods, work in progress, and raw materials required for production. Based on the production-to-order operational characteristic of its traditional business, the Company needs to procure long-lead-time raw materials in advance based on customer demand forecasts. Additionally, to respond to market supply and demand fluctuations, it strategically stocks up on key long-lead-time materials. Typically, in cases of raw material expiration or finished goods becoming obsolete, the customer bears the responsibility for repurchase or disposal at the original price, which mitigates the risk of inventory obsolescence to some extent. The Company's high-speed optical transceiver products are highly standardized with strong material commonality; the same product can be sold to different customers. Compared to customized products, the risk of inventory obsolescence and write-downs is lower. Furthermore, leveraging its high-quality customer base and established sales channels, the Company can effectively absorb finished goods inventory, further reducing inventory risk.

However, the pace of product renewal in the optical communication industry continues to accelerate, and market demand is subject to significant fluctuations due to factors such as policies, technology, and industry competition. If there is a significant adverse change in market demand, or if product technology iterations render existing inventory incompatible with new market requirements, some of the Company's stockpiled raw materials and finished goods may still face the risk of write-downs. A substantial write-down amount would adversely affect the Company's financial condition and operating results.

Management Discussion and Analysis (Continued)

(2) Risk of Bad Debt Losses on Accounts Receivable

The Company's accounts receivable are primarily from well-known domestic and international enterprises in the ICT industry. These customers have strong operational capabilities and good credit standing, resulting in a relatively low probability of bad debts. The Company has also made adequate bad debt provisions for accounts receivable in accordance with Accounting Standards for Business Enterprises and relevant accounting policies, fully covering potential bad debt risks.

However, factors such as the global economic environment, industry cycle fluctuations, and changes in customers' own operating conditions could still lead to the possibility of certain customers experiencing reduced payment capacity or deteriorating credit status. This could result in the Company's receivables not being collected on time or even becoming bad debts. Bad debts on accounts receivable would directly reduce the efficiency of the Company's capital utilization, increase finance costs, and adversely affect its operating results.

(3) Risk of Goodwill Impairment from Acquired Entities

The Company recorded a certain amount of goodwill from its acquisition of Actiontec Electronics, Inc. (US). This goodwill is presented in the Company's consolidated balance sheet and is subject to subsequent impairment testing based on the operating performance of the acquired entity. If there is a significant adverse change in the future global optical communication market environment, or if the acquired entity experiences poor management or market expansion falls short of expectations, leading to failure to achieve sales plans and the inability of incremental gross profit to cover incremental operating expenses, the acquired entity would incur operating losses. When the recoverable amount of the acquired entity falls below its carrying amount, the Company faces the risk of goodwill impairment in its consolidated financial statements. Goodwill impairment would be directly charged to profit or loss for the period, reducing the Company's operating profit for that period and adversely affecting its financial condition and operating results.

Management Discussion and Analysis (Continued)

(4) Risk of Litigation

In the course of its production and operations, the Company may become involved in litigation disputes related to customer cooperation, supply chain transactions, intellectual property, overseas business compliance, or other matters. Should litigation occur, the Company would face multiple risks: ① Financial impact: If the Company loses the case, it would bear corresponding compensation, legal fees, and other expenses, directly increasing its financial outlays and affecting its current financial position; ② Reputational damage: Public dissemination of litigation events could harm the Company's brand image and market reputation, reducing the trust of customers and partners, which could in turn affect its market share and order acquisition; ③ Operational disruption: Litigation processes require significant time and attention from the Company's management and key personnel, potentially diverting focus from management and operations, and hindering normal production and strategic development plans; ④ Legal compliance risk: If the litigation involves alleged violations of laws or regulations by the Company, it could trigger investigations and penalties from regulatory authorities, leading to more severe legal consequences; ⑤ Stock price volatility: News of litigation could raise concerns among capital market investors, potentially undermining investor confidence and leading to stock price fluctuations; ⑥ Cross-border litigation risk: Given the Company's high proportion of overseas business, involvement in cross-border litigation would expose it to significantly higher costs and greater uncertainty due to substantial differences in legal systems, judicial procedures, cultural backgrounds, time zones, and cross-border enforcement issues, significantly increasing the uncontrollable nature of the outcome.

Although the Company consistently adheres to legal and compliant operations and has established a comprehensive internal control and risk prevention system to avoid litigation disputes as much as possible, it cannot entirely eliminate the possibility of being involved in litigation due to various unforeseen factors. Litigation disputes would introduce additional uncertainty to the Company's operations and development.

Management Discussion and Analysis (Continued)

(VII) Other Disclosures

In order to thoroughly implement the requirements of the Opinions of the State Council on Further Improving the Quality of Listed Companies and SSE's Special Action Initiative of "Improving Quality, Increasing Efficiency and Emphasising Returns" for Shanghai-listed companies, and to effectively execute the various deployments of the Company's 2026 Action Plan for "Improving Quality, Increasing Efficiency and Emphasising Returns", the Company, in light of its operating conditions, financial data and strategic progress in the first half of 2026, conducted a comprehensive assessment of the semi-annual implementation effectiveness of the action plan. On August 24, 2026, the Company convened the 34th meeting of the 5th session of the Board of Directors and the 13th meeting of the Strategy and ESG Committee of the 5th session of the Board of Directors by way of on-site meetings combined with communication voting, and deliberated and approved the Semi-annual Assessment of the 2026 Action Plan for "Improving Quality, Increasing Efficiency and Emphasising Returns". The detailed report is as follows:

1. *Summary of Semi-annual Progress of the Action Plan*

In the first half of 2026, the Company focused on the four major directions of the action plan, namely "expanding production capacity, improving efficiency, enhancing returns and optimizing governance", achieving continuous improvement in operational quality, further consolidating the advantages of new quality productive forces, enhancing the stability and sustainability of shareholder returns, and striving to bring the Company's corporate governance and ESG management to the upper level among A+H share listed companies, thereby comprehensively enhancing core competitiveness and market recognition. Key indicators and major tasks were advanced as planned. The specific progress is as follows:

(1) Focusing on the core business to improve quality, driving dual growth in business scale and profitability

In the first half of 2026, the Company seized the structural growth opportunities in the communications industry, achieved differentiated breakthroughs across its three major business segments, and delivered significant growth in operating performance. Financial data showed that during the Reporting Period, the Company achieved operating revenue of RMB2,705 million, representing a year-on-year increase of 32.92%; net profit attributable to shareholders of the listed company of RMB328 million, representing a year-on-year increase of 171.08%; and net profit after deducting non-recurring gains and losses of RMB319 million, representing a year-on-year increase of 168.42%. Basic earnings per share reached RMB0.93/share, representing a year-on-year increase of 106.67%. All core profitability indicators recorded growth, with growth rates exceeding the increase in operating revenue, demonstrating a certain degree of earnings resilience in the Company's principal businesses and sustained improvement in its core competitiveness.

The performance growth during the period was mainly attributable to the significant growth of the high-speed photonic business, where robust market demand drove a substantial increase in orders. Timely deliveries by the Company supported a significant year-on-year increase in shipment value, while the shift in product mix contributed to a marked improvement in gross profit margin.

Management Discussion and Analysis (Continued)

The high-speed photonic business served as the core engine of performance growth, benefiting from the strong demand driven by AI large models and global data center construction, leading to explosive growth in orders and shipments. The Company effectively ensured order fulfillment through production capacity expansion at domestic and overseas production bases and the commissioning of new bases, supporting the rapid release of production capacity. At the same time, the Company continued to advance product iteration and structural optimization, with an increased proportion of high-margin products improving gross margins, strengthening core competitiveness and significantly enhancing inventory turnover efficiency.

Meanwhile, production capacity at the Jiashan and Malaysia production bases continued to ramp up, laying the groundwork for further capacity release in the second half of the year.

(2) *Strengthening innovation-driven development and cultivating core advantages in new quality productive forces*

The Company adheres to the R&D strategy of "pre-researching one generation, developing one generation, and producing one generation". In the first half of the year, R&D investments were focused on high-speed photonics, next-generation broadband technologies and wireless intelligent solutions, with cumulative R&D expenses amounting to RMB209 million, representing an increase of 29.89% compared to the same period last year.

In terms of technological breakthroughs, R&D achievements in silicon photonics technology and 3nm DSP applications have built certain technological advantages for the high-speed photonic business, while frontier technology layouts in 1.6T, CPO/LPO, etc., have reserved potential for business growth in the coming year. The global R&D collaboration mechanism has been gradually improved, and the efficiency of technological transformation has increased to some extent.

Intellectual property and results transformation have yielded fruitful outcomes. In the first half of 2026, the Company filed 9 new patent applications and was granted 2 patents. The Company continues to convert patented technologies into actual productivity and actively promotes the implementation of R&D results. Among other things, in the optical module field, leveraging the Company's deep technical expertise and sustained innovation, multiple patented results have been integrated into mass production. Silicon photonics technology has been deeply applied in 800G optical module products, and through optimization in multiple aspects such as optical path design, chip integration, and packaging processes, product performance and production efficiency have been enhanced. With the continuous application of advanced patented technologies in mass production, the Company's 800G optical module production process has been optimized, with some stages achieving automation and intelligent upgrades, resulting in certain improvements in yield rate and production efficiency compared to the past.

Management Discussion and Analysis (Continued)

Meanwhile, in terms of power consumption reduction, the Company has improved the circuit design and signal transmission mechanisms inside optical modules through technological innovation, achieving a reduction in the power consumption of 800G optical modules. This not only meets the demand for high-efficiency, energy-saving products in data center and other scenarios but also provides support for enhancing the products' market competitiveness.

In terms of globalized R&D collaboration, the Company has further deepened its layout, with R&D centers in the United States and Japan working in close coordination with domestic teams. For the 1.6T optical module project, domestic and international teams have fully leveraged their respective strengths to make all-out progress in technical breakthroughs and product adaptation. Through joint R&D and testing, the interconnection testing between 1.6T optical modules and customer equipment was successfully completed, fully validating the compatibility and stability of the products. This has created favorable conditions for accelerating the certification of the subsequent products in overseas markets and advancing the process of promoting 1.6T optical modules to overseas markets.

(3) Optimizing Return Mechanisms to Enhance Shareholders' Sense of Gain and Market Confidence

The Company strictly followed the Plan for Shareholder Dividend Returns for the Three Years (2024–2026) (《未來三年(2024–2026年)股東分紅回報規劃》) and completed the implementation of the 2025 annual profit distribution in June 2026, distributing a cash dividend of RMB0.28 per share (tax inclusive) to all shareholders.

To effectively safeguard shareholders' rights and interests, taking into account the operating profitability of the first half of the year, the Company intends to "distribute a cash dividend of not less than 10% of the first-half net profit", distributing a cash dividend of RMB0.09 per share (tax inclusive) to all shareholders. Based on the current total share capital of 368 million shares, the dividend amount is approximately RMB33.14 million, accounting for 10.11% of the first-half net profit. This plan not only complies with regulatory requirements but also balances shareholders' short-term returns with the Company's capital needs for capacity expansion. The dynamic adjustment of this cash dividend plan reflects the "investor-oriented" philosophy, with the dividend ratio being consistent with commitments. The Company continues to explore long-term shareholder return pathways for its A+H dual listing, promoting investors' enhanced sense of gain.

Management Discussion and Analysis (Continued)

(4) Deepening Corporate Governance and Consolidating the Foundation for Compliant Operations

In accordance with the as-amended the Company Law of the PRC, the Guidelines for Articles of Association of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and Rules Governing the Listing of Shares of the Shanghai Stock Exchange, among other regulations, the Company has revised a series of governance systems including the Articles of Association, the Procedural Rules for the Shareholders' Meeting and the Procedural Rules for the Board of Directors based on its actual circumstances and needs. The adjustment of the governance structure complies with A+H regulatory requirements, and the Company has maintained a good information disclosure rating for many consecutive years, with its market credibility being further consolidated.

Meanwhile, to further improve the corporate governance structure, establish a scientific and effective incentive and constraint mechanism, regulate the compensation management of the Company's directors and senior management, fully mobilize their work enthusiasm and creativity, and promote the Company's sustainable and healthy development, the Company newly formulated the Compensation Management System for Directors and Senior Management of CIG Shanghai Co., Ltd. (《上海劍橋科技股份有限公司董事、高級管理人員薪酬管理制度》) in consideration of its actual circumstances and the dual regulatory requirements of A+H shares. The system clarifies the core contents of compensation management for directors and senior management, including basic principles, compensation structure, assessment mechanism, payment rules, clawback provisions, and ESG accountability, ensuring that compensation levels match job value, authority and responsibilities, risk responsibilities, and the Company's performance. It balances incentivization and constraint, and complies with domestic and overseas regulatory requirements as well as the Company's long-term development interests.

Management Discussion and Analysis (Continued)

(5) Advancing ESG Upgrades to Achieve Sustainable Development

The Company strictly implements the ESG goals of the special action plan "environmental emission reduction, social responsibility, and governance optimization" and actively responds to the sustainable development goals of the United Nations, carrying out practices in the areas of no poverty, good health and well-being, quality education, decent work and economic growth, industry, innovation and infrastructure, responsible consumption and production, and climate action.

The 2025 ESG report was verified by TÜV SÜD, with targets such as carbon emission intensity and employee training coverage being exceeded, and the Company's sustainable development capabilities gaining market recognition. The ESG report received an AA rating from WIND for two consecutive years, ranking within the top 5% of the over 12,000 companies it covers, with scores in the environmental, social, and governance dimensions all significantly higher than the industry average. This rating reflects the results of the Company's sustained efforts in ESG development and its practice of benchmarking against the sustainable development disclosure standards of both the A-share and H-share markets. In the future, the Company will continue to advance green technology innovation, optimize corporate governance, deepen social responsibility development, strengthen technology and product innovation, optimize global supply chains and market layout, and drive the synergistic growth of its three core businesses to create long-term value for customers, employees, investors, and society.

2. Optimization Measures for the Special Action in the Second Half of the Year

In response to the implementation gaps in the first half of the year, the Company will focus on the four major directions of "expanding capacity, improving efficiency, strengthening returns, and optimizing communication", refining measures to ensure the achievement of the full-year goals of the special action plan:

(1) Focusing on Core Business Capacity Expansion to Further Improve Operational Quality

① Accelerating the release of high-speed photonics production capacity

The Jiashan (嘉善) plant and Malaysia plant will accelerate production line equipment expansion, and the Mexico plant will speed up construction, striving to achieve the planned expansion targets by year-end to ensure delivery of orders from core North American customers. Meanwhile, the Company will continue to advance optical module customer certification, striving to complete testing and certification of core customers and achieve mass production within the year.

② Strengthening the risk-resistance capability of traditional businesses

The Company will continue to promote the expansion of sales channels in emerging markets such as Southeast Asia and South America, and drive the volume growth of PON and Wi-Fi products in European and Middle Eastern operator markets, further enhancing the overall risk-resistance capability of the business.

Management Discussion and Analysis (Continued)

③ Optimizing cash flow management

Improving operating cash flow by negotiating extended payment terms with suppliers and optimizing customer collection policies; strictly controlling non-production expenditures to ensure that the growth rate of administrative expenses and selling costs in the second half of the year is kept within the growth rate of revenue, thereby improving fund utilization efficiency.

(2) Focusing on Technological Transformation to Cultivate Advantages in New Quality Productive Forces

In the second half of 2026, the Company's R&D efforts will continue to center on high-speed optical interconnects, advancing the R&D, mass production and customer certification of the 1.6T series and LPO/LRO low-power products, promoting the validation and promotion of new products such as ELSFP, XPO and NPO, while simultaneously expanding production capacity at domestic and overseas factories. In the access and wireless segments, the Company will focus on the development and sampling of Wi-Fi 8, 50G PON and products equipped with AI engines, and continue to invest in AI software and hardware as well as edge computing products.

(3) Optimizing Return Mechanisms to Enhance Investors' Sense of Gain

Implementing the interim dividend plan

Actively advancing the 2026 interim equity distribution to ensure the implementation of the interim cash dividend plan; launching the calculation of the 2026 annual profit distribution proposal in due course, and formulating a scientifically reasonable annual dividend plan based on full-year profitability and expansion needs to ensure the continuity and stability of dividends.

(4) Deepening investor communication and governance optimization

① Optimizing investor communication and coordinated promotion of ESG

The Company will organize ESG thematic training and work review meetings, refine management measures concerning environment, social responsibility, and corporate governance, and promote the deep integration of ESG with product R&D and production operations, so as to effectively comply with the ESG Guide of the Hong Kong Stock Exchange and the special action requirements of the SSE.

Strengthening communication with domestic and overseas investors, organizing activities such as "investors visiting factories" and "industry analyst exchange meetings" to accurately convey the Company's core value; closely monitoring stock price fluctuations, and if an irrational decline occurs and the conditions set out in the "Improving Quality and Efficiency and Returning Value to Shareholders" action plan are met, the Company will initiate a share buyback proposal in due course and in accordance with the procedures, based on the Company's actual circumstances, to maintain the stability of the Company's market value and market confidence.

② Strengthening governance and the performance of "key minorities"

Completing the supplementary revision of the Internal Control Manual, adding chapters on ESG information disclosure internal control processes and H-share compliance risk management; organizing special training for directors, supervisors, and senior management on topics such as "ESG information disclosure" and "H-share compliance" to further enhance internationalized performance capabilities; establishing a performance evaluation mechanism for "key minorities" and incorporating investor communication effectiveness into assessments to ensure responsibilities are implemented at every level.

3. Subsequent Work Arrangements

The Company will continuously track the implementation of the special action plan, regularly assess progress, and adjust and optimize measures based on actual circumstances. It will strictly fulfill information disclosure obligations in accordance with the requirements of both the A-share and H-share exchanges to ensure transparent implementation of the plan. The forward-looking statements in this report (such as capacity plans and technology mass production timelines) are based on current actual conditions and may be affected by factors such as industry cycles, technological iteration, and trade policies in the future, and are subject to uncertainty. Investors are advised to invest rationally and pay attention to risks.

Corporate Governance, Environmental and Social

SIGNIFICANT LITIGATION AND ARBITRATION MATTERS

During the Reporting Period:

Unit: Yuan Currency: RMB

Prosecutor (applicant)	Respondent	Party bearing joint and several liability	Type of litigation (arbitration)	Basic information about litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) results in estimated liabilities and amount	Progress of litigation (arbitration)	Trial results and influence of litigation (arbitration)	Execution of litigation (arbitration) judgment
APPLIED OPTOELECTRONICS, INC.	CAMBRIDGE INDUSTRIES USA, INC.	None	Intellectual Property Infringement Dispute	AOI v. CIG USA for Infringement of 8 U.S. Patents	Not estimable	No provision has been recognized, and potential losses cannot be estimated	See notes for details	The outcome is unknown, the likelihood of an unfavourable outcome cannot be assessed, and the potential loss cannot be reasonably estimated	Not executed

Note: The Company's wholly-owned subsidiary CIG USA is involved in a patent infringement lawsuit with AOI in the U.S. District Court for the Northern District of California (Case No.: 3:24-cv-01010-JD). Plaintiff AOI alleges that CIG USA infringes eight U.S. patents related to optical module technology. The court originally scheduled a jury trial in June 2026. In April 2025, as CIG USA reported to the court that it had initiated inter parties review (IPR) proceedings before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office in January 2025 for five of the eight patents, the court ordered a stay of the proceedings. In April 2025, the plaintiff filed a motion with the PTAB to dismiss the IPR petitions. In June 2025, the PTAB granted the plaintiff's motion to dismiss the IPR petitions for two of the patents and denied the plaintiff's motion to dismiss the IPR petitions for the remaining three patents. In July-August 2025, the PTAB decided to institute one of the remaining three IPR petitions and denied institution of two IPR petitions. On July 27, 2026, the PTAB issued its final written decision on the instituted IPR. The PTAB, by a 2:1 vote, found that the petitioner failed to demonstrate that the challenged claims of the patent-in-suit were unpatentable. The relevant patent claims were maintained in this IPR proceeding. The Company plans to appeal the decision. In light of such appeal, as well as the ongoing IPR proceedings against two of AOI's patents which are involved in both the Company's litigation case and another litigation case involving a third party, it is expected that the relevant U.S. federal district court litigation will remain under a stay. At present, this case is not expected to have any material adverse impact on the Company.

For the prior disclosure of the above-mentioned litigation matters, please refer to the corresponding sections of the past periodic reports of the Company.

Corporate Governance, Environmental and Social (Continued)

CHANGES IN SHARE

Unit: share

	Before this change		Increase (+)/Decrease (−) in this change					After this change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Conversion of capital reserves into share capital	Others	Sub-total	Number	Percentage (%)
I. Shares subject to lock-up conditions	32,762,750	9.29	—	—	—	−32,762,750	−32,762,750	0	0.00
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Including: domestic non-state-owned legal person shares	—	—	—	—	—	—	—	—	—
domestic individual shares	—	—	—	—	—	—	—	—	—
4. Foreign-investment shares	32,762,750	9.29	—	—	—	−32,762,750	−32,762,750	0	0.00
Including: overseas legal person shares	32,762,750	9.29	—	—	—	−32,762,750	−32,762,750	0	0.00
overseas individual shares	—	—	—	—	—	—	—	—	—
II. Tradable shares not subject to lock-up conditions	319,887,623	90.71	15,600,000	—	—	32,762,750	48,362,750	368,250,373	100.00
1. Renminbi-denominated ordinary shares	275,588,373	78.15	—	—	—	—	—	275,588,373	74.84
2. Domestic listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign shares	44,299,250	12.56	15,600,000	—	—	32,762,750	48,362,750	92,662,000	25.16
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of shares	352,650,373	100.00	15,600,000	—	—	0	15,600,000	368,250,373	100.00

(1) On October 28, 2025, the Company's overseas listed foreign shares (H Shares) were listed and traded on the Main Board of the Hong Kong Stock Exchange (Stock Code: 06166). For details, please refer to the "Announcement on the Listing and Trading of Overseas Listed Foreign Shares (H Shares)" (Announcement No.: Lin 2025–065) disclosed by the Company on October 28, 2025. The total number of H Shares issued in this offering was 67,010,500 shares, of which the H Share cornerstone investors agreed that they would not, directly or indirectly, sell any of the offered shares purchased under the relevant cornerstone investment agreements at any time during the six-month period commencing from the listing date (October 28, 2025 to April 27, 2026). The aforesaid lock-up period expired during the Reporting Period, involving 32,762,750 H Shares.

Corporate Governance, Environmental and Social (Continued)

(2) On June 4, 2026, the Company completed the allotment and issuance of 15,600,000 new H Shares. The Company's total issued H Shares increased from 77,062,000 shares to 92,662,000 shares, and the total issued A Shares remained unchanged at 275,588,373 shares; the Company's total issued shares increased from 352,650,373 shares to 368,250,373 shares. For details, please refer to the "Announcement on Completion of Placing of New H Shares under General Mandate" (Announcement No.: Lin 2026–029) disclosed by the Company on June 5, 2026.

CHANGES IN SHARES SUBJECT TO LOCK-UP

Unit: share

Name of Shareholders	Number of locked-up shares at the beginning of the period	Number of shares released from lock-up during the Reporting Period	Number of additional locked-up shares during the Reporting Period	Number of locked-up shares at the end of the Reporting Period	Reason for lock-up	Date of release from lock-up
H Share cornerstone investors (16 investors)	32,762,750	32,762,750	0	0	The H Share cornerstone investors have undertaken not to reduce their holding of the Offer Shares purchased within six months from the listing date	2026-04-28

SHAREHOLDERS

(I) Total Number of Shareholders:

Total number of ordinary shareholders at the end of the Reporting Period (person)	97,036 Including: Number of A-share shareholders: 97,031; Number of H-share shareholders: 5
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period (person)	Not applicable

Corporate Governance, Environmental and Social (Continued)

(II) Shareholdings of the Top 10 Shareholders and Top 10 Holders of Tradable Shares (or Shareholders not subject to Lock-up Conditions) as at the end of the Reporting Period

Unit: share

Name of shareholder (full name)	Shareholding of the Top 10 Shareholders (Excluding Shares Lent under the Margin Refinancing Transfer)				Pledged, tagged, or frozen		
	Change during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares subject to lock-up conditions	Status of shares	Number	Nature of shareholder
HKSCC NOMINEES LIMITED	15,599,910	92,661,859	25.16	0	None		Overseas legal person
Cambridge Industries Company Limited	−2,483,000	29,542,735	8.02	0	None		Overseas legal person
Hong Kong Securities Clearing Company Limited	1,587,103	5,691,707	1.55	0	None		Overseas legal person
Bank of Beijing Co., Ltd. — Xin'ao Performance-Driven Mixed Securities Investment Fund	3,214,988	5,618,123	1.53	0	None		Others
China Zheshang Bank Co., Ltd. — Ping An Technology Select Hybrid Initiated Securities Investment Fund (浙商銀行股份有限公司—平安科技精選混合型發起式證券投資基金)	5,595,900	5,595,900	1.52	0	None		Others
Industrial and Commercial Bank of China Co., Ltd. — Guotai CES All Share Communication Equipment ETF	3,195,350	5,186,919	1.41	0	None		Others
Shanghai Kangling Technology Partnership (Limited Partnership) (上海康令科技合夥企業(有限合夥))	−1,180,000	4,670,476	1.27	0	None		Others
Industrial and Commercial Bank of China Co., Ltd. — Fuguo Innovation Technology Hybrid Securities Investment Fund (中國工商銀行股份有限公司—富國創新科技混合型證券投資基金)	3,600,082	3,600,082	0.98	0	None		Others
Bank of Communications Co., Ltd. — Tebon Xinxing Value Flexible Allocation Hybrid Securities Investment Fund (交通銀行股份有限公司—德邦鑫星價值靈活配置混合型證券投資基金)	3,279,300	3,279,300	0.89	0	None		Others
Gao Guilin	2,177,830	3,095,554	0.84	0	None		Domestic individual

Corporate Governance, Environmental and Social (Continued)

Shareholding of the Top 10 Shareholders not subject to Lock-up Conditions (Excluding Shares Lent under the Margin Refinancing Transfer)			
	Number of tradable shares held not subject to lock-up conditions	Types and number of shares	
Name of shareholder		Types	Number
HKSCC NOMINEES LIMITED	92,661,859	Overseas listed foreign shares	92,661,859
Cambridge Industries Company Limited	29,542,735	RMB ordinary shares	29,542,735
Hong Kong Securities Clearing Company Limited	5,691,707	RMB ordinary shares	5,691,707
Bank of Beijing Co., Ltd. — Xin'ao Performance-Driven Mixed Securities Investment Fund	5,618,123	RMB ordinary shares	5,618,123
China Zheshang Bank Co., Ltd. — Ping An Technology Select Hybrid Initiated Securities Investment Fund (浙商銀行股份有限公司—平安科技精選混合型發起式證券投資基金)	5,595,900	RMB ordinary shares	5,595,900
Industrial and Commercial Bank of China Co., Ltd. — Guotai CES All Share Communication Equipment ETF	5,186,919	RMB ordinary shares	5,186,919
Shanghai Kangling Technology Partnership (Limited Partnership) (上海康令科技合夥企業(有限合夥))	4,670,476	RMB ordinary shares	4,670,476
Industrial and Commercial Bank of China Co., Ltd. — Fuguo Innovation Technology Hybrid Securities Investment Fund (中國工商銀行股份有限公司—富國創新科技混合型證券投資基金)	3,600,082	RMB ordinary shares	3,600,082
Bank of Communications Co., Ltd. — Tebon Xinxing Value Flexible Allocation Hybrid Securities Investment Fund (交通銀行股份有限公司—德邦鑫星價值靈活配置混合型證券投資基金)	3,279,300	RMB ordinary shares	3,279,300
Gao Guilin	3,095,554	RMB ordinary shares	3,095,554
Explanation on the special account for repurchase of the top ten shareholders	There is no special account for repurchase among the top ten shareholders.		
Explanation on the entrusting voting right, entrusted voting right and waive of voting right of the above shareholders	The Company is not aware of any situation where the above shareholders have entrusted voting rights, been entrusted with voting rights, or waived voting rights.		
Explanation on the related party relationship or acting in concert among the above shareholders	Cambridge Industries Company Limited is an entity controlled by Gerald G Wong, the Company's actual controller; Zhao Haibo, the actual controller of Shanghai Kangling Technology Partnership (Limited Partnership), has signed a concert party agreement with Gerald G Wong, the Company's actual controller, thus Zhao Haibo is a person acting in concert with the Company's actual controller. Furthermore, the Company is not aware of any connected relationships among the top ten shareholders, the top ten shareholders not subject to lock-up conditions, the top ten shareholders subject to lock-up conditions or between these groups, or whether they are parties acting in concert as defined in the Measures for Administration of Acquisition of Listed Companies.		
Explanation on shareholders of preference shares with the voting rights restored and their shareholding	Not applicable		

Corporate Governance, Environmental and Social (Continued)

(III) Strategic Investors or General Legal Persons who Became Top Ten Shareholders due to Placing of New Shares

Name of strategic investor or general legal person	Agreed shareholding start date	Agreed shareholding end date
HKSCC NOMINEES LIMITED	2025-10-28	2026-04-27
Explanation on agreed shareholding period of strategic investors or general legal persons participating in placing of new shares	H Share cornerstone investors have agreed that, during the period of six months from the date of issuance and listing, they will not, directly or indirectly, sell any offering shares purchased pursuant to relevant cornerstone investment agreements.	

Other Information

PROFIT DISTRIBUTION

The Company considered and approved the "2026 Interim Profit Distribution Plan" at the 34th meeting of the 5th session of the Board of Directors held on August 24, 2026. The Company plans to distribute profits for the first half of 2026 based on the total share capital registered on the record date for the implementation of the equity distribution. In accordance with the "2026 Interim Cash Dividend Proposal" approved at the 2025 Annual General Meeting and taking into account the Company's operating performance for the first half of the year, the profit distribution plan is as follows: based on the total share capital of the Company on the record date for the implementation of the equity distribution, the Company plans to distribute a cash dividend of RMB0.09 per share (tax inclusive) to all shareholders, with no bonus share issue or capital reserve conversion into share capital. As of June 30, 2026, the Company's total share capital was 368,250,373 shares (including: 275,588,373 A Shares and 92,662,000 H Shares), based on which the total proposed cash dividend amounted to RMB33,142,533.57 (tax inclusive). The cash dividend payout ratio for the first half of 2026 (i.e., the ratio of the total proposed cash dividend for the first half of 2026 to the net profit attributable to shareholders of the listed company in the consolidated financial statements for the first half of 2026) was 10.11%.

If the total share capital of the Company changes as a result of the conversion of convertible bonds, share repurchases, share repurchases and cancellations resulting from equity incentive grants, or share repurchases and cancellations related to major asset reorganizations during the period from the disclosure date of this plan to the record date of the implementation of the dividend distribution, the Company intends to maintain the distribution ratio per share unchanged and adjust the total distribution accordingly. Dividends of A Shares will be distributed in RMB; Dividends of H Shares will be distributed in HKD.

Other Information (Continued)

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

(a) Interests of Directors and Chief Executives

As at June 30, 2026, the interests or short positions of Directors and chief executives in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Director or chief executive	Position	Nature of interest	Number and class of shares[1]	Approximate percentage of shareholding in the Company's total shares[2]	Approximate percentage in the relevant class of shares[2]
Mr. Gerald G Wong[3]	Chairman of our Board, Executive Director and General Manager (Chief Executive Officer)	(i) Interest in controlled corporation	29,542,735 A Shares	8.0%	10.7%
		(ii) Interest held jointly with other persons	4,670,476 A Shares	1.3%	1.7%

Other Information (Continued)

Name of Director or chief executive	Position	Nature of interest	Number and class of shares[(1)]	Approximate percentage of shareholding in the Company's total shares[(2)]	Approximate percentage in the relevant class of shares[(2)]
Mr. Zhao Haibo (趙海波先生)[(4)]	Executive Director, Deputy General Manager, Chief Technology Officer	(i) Interest in controlled corporation	4,670,476 A Shares	1.3%	1.7%
		(ii) Interest held jointly with other persons	29,542,735 A Shares	8.0%	10.7%
Mr. Zhao Hongwei (趙宏偉先生)[(5)]	Executive Director, Chief Operating Officer	Beneficial owner	94,550 A Shares	0.03%	0.03%
Mr. Zhang Jie (張傑先生)[(6)]	Executive Director, Manager of Broadband Products Division	(i) Beneficial owner	134,250 A Shares	0.04%	0.05%
		(ii) Interest of spouse	3,700 A Shares	0.001%	0.001%

Other Information (Continued)

Notes:

(1) All interests stated are long positions.

(2) Percentages are calculated based on 92,662,000 H Shares and 275,588,373 A Shares in issue as of June 30, 2026.

(3) As of June 30, 2026, (i) Mr. Gerald G Wong wholly owned CIG Cayman and was the sole director of CIG Cayman. Therefore, Mr. Gerald G Wong was deemed to be interested in 29,542,735 A Shares held by CIG Cayman; (ii) pursuant to the Concert Party Agreement, Mr. Gerald G Wong was deemed to be interested in 4,670,476 A Shares held by Mr. Zhao Haibo (through Shanghai Kangling).

(4) As of June 30, 2026, (i) Mr. Zhao Haibo was the executive partner of Shanghai Kangling and thus, Mr. Zhao Haibo was deemed to be interested in 4,670,476 A Shares held by Shanghai Kangling; (ii) pursuant to the Concert Party Agreement, Mr. Zhao Haibo was deemed to be interested in 29,542,735 A Shares held by Mr. Gerald G Wong (through CIG Cayman).

(5) As of June 30, 2026, Mr. Zhao Hongwei held 42,500 A Shares, and was interested in 37,500 outstanding options granted under the 2024 A Share Incentive Scheme and 14,550 outstanding options granted under the 2026 A Share Incentive Scheme.

(6) As of June 30, 2026, Mr. Zhang Jie held 82,200 A Shares, and was interested in 37,500 outstanding options granted under the 2024 A Share Incentive Scheme and 14,550 outstanding options granted under the 2026 A Share Incentive Scheme; Mr. Zhang Jie's spouse, Ms. Wang Meihua (王美華女士), held 3,700 A Shares.

So far as our Directors are aware, none of our Directors or chief executive has any interests and/or short positions in the shares or underlying shares of our associated corporations.

(b) Directors' Rights to Subscribe for Shares or Debentures

As of the Latest Practicable Date, Mr. Zhao Hongwei (Director) and Mr. Zhang Jie (Director) were interested in 37,500 and 37,500 outstanding options granted under the 2024 A Share Incentive Scheme, respectively; Mr. Zhao Hongwei (Director) and Mr. Zhang Jie (Director) were interested in 14,550 and 14,550 outstanding options granted under the 2026 A Share Incentive Scheme, respectively. For details, please refer to the section headed "Other Information — Share Scheme" in this report.

Save as disclosed above, Neither the Company, its subsidiaries, its parent company and/or any subsidiaries of its parent company has granted any rights to subscribe for shares or debentures of the Company or any other body corporate to any Director, supervisor or their respective spouses or children under 18 years of age, nor have such persons exercised any such rights to subscribe for the aforementioned shares or debentures.

(c) Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at June 30, 2026, as recorded in the register of interests and/or short positions in shares required to be kept under Section 336 of Part XV of the SFO, the interests and/or short positions of substantial shareholders (other than Directors and chief executives of the Company) in shares or underlying shares of the Company were as follows:

Name of Shareholder	Nature of interest	Number and class of Shares[1]	Approximate% of shareholding in total Shares of our Company[2]	Approximate% of relevant class of Shares[2]
CIG Cayman[3]	Beneficial owner	29,542,735 A Shares (L)	8.0%	10.7%

Notes:

(1) (L) — Long position, (S) — Short position.

(2) The percentages are calculated based on the number of 92,662,000 H Shares and 275,588,373 A Shares in issue as of June 30, 2026.

(3) Mr. Gerald G Wong wholly owns CIG Cayman, and is the sole director of CIG Cayman. CIG Cayman, as beneficial owner, is interested in the 29,542,735 A Shares held.

SHARE SCHEMES

During the Reporting Period, our Company had three equity incentive plans in effect, namely the 2024 A Share Incentive Scheme, the 2026 A Share Incentive Scheme and the H Share Incentive Scheme. The terms of the 2024 A Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules as they do not involve any options granted by our Company after the Listing. Pursuant to Chapter 17 of the Listing Rules, each of the 2026 A Share Incentive Plan and the H Share Incentive Plan constitutes a share scheme involving the issuance of new shares by the Company, and their terms comply with the relevant requirements of Chapter 17 of the Listing Rules. For details, please refer to the Company's announcement dated March 30, 2026 and circular dated April 2, 2026.

(a) 2024 A Share Incentive Scheme

At the 2024 first extraordinary general meeting convened on August 26, 2024, the 2024 A Share Incentive Scheme of our Company was approved by the Shareholders. For details, please refer to the H Share Prospectus.

Purpose

The purpose of the 2024 A Share Incentive Scheme is to improve our Company's corporate governance structure, establish and improve our Company's long-term incentive mechanism, attract and retain the Directors, senior management, core management and technical/business personnel of our Group, and fully mobilize their enthusiasm and creativity to enhance the cohesion of our core team and core competitiveness, so as to realize our development strategies and business objectives.

Other Information (Continued)

Administration

The 2024 A Share Incentive Scheme has been approved by the Shareholders' general meeting, and administered by the Board of our Company.

Participants

The participants of the 2024 A Share Incentive Scheme include the Directors, senior management, core management and technical/business personnel of our Group. The scope of incentive participants excludes independent Directors, and Shareholders or actual controllers who individually or collectively hold more than 5% of the Shares of our Company and their spouse, parents and children.

Source and maximum number of Shares

The Shares underlying the 2024 A Share Incentive Scheme shall be A Shares issued by our Company to the eligible grantees. The maximum number of options that can be granted under the 2024 A Share Incentive Scheme is 15,601,000 A Shares. Each option granted represents the right to purchase one A Share within the exercise period at the exercise price.

Validity period

The validity period of the 2024 A Share Incentive Scheme shall be from the date of grant of the options up to the date when all options granted to the eligible grantees are exercised or cancelled, provided that the validity period shall not exceed 36 months.

Exercise price

The eligible grantees shall pay the exercise price upon fulfilment of all the conditions of the options to purchase the A Shares from our Company. The exercise price of each option shall not be lower than the nominal value of each A Share and, in principle, shall not be lower than the higher of (1) the average trading price of the A Shares on the trading date before the announcement of the draft scheme; and (2) the average trading price of the A Shares during the 20 trading dates before the announcement of the draft scheme.

The number of options granted and/or the exercise price will be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares, share consolidation, placing and dividend distribution.

Exercise

The options granted are subject to a waiting period before exercise. The waiting period commences from the date of completion of registration of the options granted to the eligible grantees, and the interval between the date of grant and the date of exercise of the options shall not be less than twelve months. The exercise schedule of the options is as below:

Exercise period	Exercise schedule	Exercise proportion
First period	The first trading date after the 12-month anniversary from the date of grant, till the last trading day up to the 24-month anniversary of the date of grant	50%
Second period	The first trading date after the 24-month anniversary from the date of grant, till the last trading day up to the 36-month anniversary of the date of grant	50%

Options may be exercised upon fulfilling the conditions same as the grant conditions stipulated above and with reference to the eligible grantees' personal performance and our Company's performance targets in each of the two years ended June 30, 2026, which are as below:

Exercise period	Performance targets
First period	Revenue for the year of 2024 is not less than RMB3,400 million, or, net profit for the year of 2024 is not less than RMB115 million
Second period	Revenue in aggregate for the two years of 2024 and 2025 is not less than RMB7,140 million, or, net profit in aggregate for the two years of 2024 and 2025 is not less than RMB235 million

In the event that the grant conditions are not fulfilled or our Company's performance does not meet the performance targets, the options which have been granted but not yet exercised shall be canceled by our Company. Upon expiry of the exercise period, options granted but not exercised will cease to be exercisable and shall be canceled by our Company.

Blackout period for our Directors and senior management

If the eligible grantees are our Directors and senior management, the Shares to be transferred in each year during their tenure of office shall not exceed 25% of the total Shares of our Company he or she holds; and no Share held by such Directors or senior management can be transferred within six months after termination of his or her employment.

Other Information (Continued)

Dividend and voting rights

During the waiting period, the options granted to eligible grantees shall not be transferred, pledged or settled for debt repayment. Upon exercise of the options, the eligible grantees will be entitled to exercise the right of Shareholders, including but not limited to the right to receive dividends and voting rights.

Completion of the grant of all options and outstanding options

Our Company completed the grant of all options, involving the grant of 15,601,000 options to 780 eligible grantees under the 2024 A Share Incentive Scheme on August 26, 2024, and no grant consideration was paid/payable for the options granted to each of the eligible grantees. As of June 30, 2026, the exercise price for the options was RMB29.1848 per A Share and no further option under the 2024 A Share Incentive Scheme could be granted.

On October 30, 2025, the Audit Committee of the Board and the Board considered and approved that the vesting conditions for the first exercise period of the share options under the 2024 Share Option Incentive Scheme were satisfied. The number of participants who satisfied the vesting conditions was 743, and the number of share options that satisfied the vesting conditions was 7,569,150 (including 618 share options to be cancelled as certain eligible participants voluntarily waived the right to exercise part of their share options for personal reasons), representing approximately 2.15% of the total issued Shares of our Company as of the Latest Practicable Date. As of June 30, 2026, the number of options granted but not yet exercised was 8,024,468 (including 454,700 share options to be cancelled due to termination of employment of certain eligible participants, and 618 share options to be cancelled as certain eligible participants voluntarily waived for personal reasons in accordance with the terms of the 2024 Share Option Incentive Scheme).

The following table sets forth the details of the movements in options under the 2024 A Share Incentive Scheme during the Reporting Period:

Name or category of grantee	Date of grant	Exercise period	Exercise price	Outstanding as at January 1, 2026	During the Reporting Period			Outstanding as at June 30, 2026
					Granted	Cancelled	Exercised	
Mr. Zhang Jie (Executive Director)	August 26, 2024	50% during September 10, 2025 to September 9, 2026; 50% during September 10, 2026 to September 9, 2027	RMB29.1848	37,500	—	—	—	37,500
Mr. Zhao Hongwei (Executive Director)				37,500	—	—	—	37,500
Mr. Cheng Gucheng (Deputy General Manager and financial officer)				37,500	—	—	—	37,500
The remaining eligible grantees (being core management and technical/ business personnel of our Company)				7,911,968	—	—	—	7,911,968
Total				8,024,468(Note)	—	—	—	8,024,468(Note)

Note:

As of June 30, 2026, 454,700 share options granted under the 2024 A Share Incentive Scheme would be cancelled pursuant to the terms of this scheme due to the termination of employment of certain eligible participants; and another 618 share options would be cancelled pursuant to the terms of this scheme as certain eligible participants voluntarily waived the right to exercise part of their share options for personal reasons.

(b) 2026 A Share Incentive Scheme

At the 2025 Annual General Meeting held on April 28, 2026, the Company's 2026 A Share Incentive Scheme was approved by the Shareholders. For details, please refer to the circular for the Annual General Meeting dated April 2, 2026.

Other Information (Continued)

Purpose

The purpose of the 2026 A Share Incentive Scheme is to refine the corporate governance structure of the Company, establish and optimise the Company's long-term incentive and restraint mechanism, attract, stabilize and motivate outstanding talents of the Company, fully mobilize their enthusiasm and creativity, stimulate the innovative vitality and professional sense of mission of the core team, enhance core team cohesion and core corporate competitiveness, integrate the interests of Shareholders, the Company and the core team, bind the long-term interests of the three parties through the equity nexus, promote the formation of a business community that shares risks, benefits and development, enable all parties to focus on the Company's long-term development, guide the core team to concentrate on the core objectives of technological innovation, market expansion and operating efficiency improvement, and ensure the realization of the Company's development strategy and operation goals.

Administration

The 2026 A Share Incentive Scheme has been approved by the Shareholders' general meeting. It shall be executed and administered by the Board of the Company, with supervision by the Remuneration and Evaluation Committee, which shall also be responsible for verifying the list of incentive participants.

Participants

The participants of the 2026 A Share Incentive Scheme include the Directors, senior management, core management and technical (business) personnel of the Group. The scope of incentive participants excludes the Company's independent non-executive Directors, and Shareholders or actual controllers who individually or collectively hold more than 5% of the shares of the Company and their spouse, parents and children.

Source of Shares

The shares underlying the 2026 A Share Incentive Scheme shall be A Shares issued by the Company to the incentive participants. Each option granted represents the right to purchase one A Share within the exercise period at the exercise price.

Validity Period

The validity period of the 2026 A Share Incentive Scheme shall be from the date of the first grant of share options up to the date when all share options granted to the incentive participants are exercised or cancelled, provided that the validity period shall not exceed 48 months.

Other Information (Continued)

Exercise Price

The exercise price for the initially granted share options under the 2026 A Share Incentive Scheme shall not be lower than the par value of the shares, and shall not be lower than the higher of the following prices: (1) the average trading price of the Company's shares on the A-share market for the 1 trading day before the announcement date of the A Share Incentive Scheme draft, which is RMB104.88 per share; (2) the average trading price of the Company's shares on the A-share market for the 20 trading days before the announcement date of the A Share Incentive Scheme draft, which is RMB113.99 per share. The exercise price for the reserved share options is the same as the exercise price for the initially granted share options.

The number of options granted and/or the exercise price will be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares, share consolidation, placing and dividend distribution.

As of the Latest Practicable Date, the exercise price of the share options granted under the 2026 A Share Incentive Scheme is RMB113.71.

Exercise Arrangements

The share options granted to incentive participants are subject to different vesting periods, commencing from the date of registration of the share options granted to the incentive participants. The interval between the grant date and the first exercisable date shall not be less than 12 months. The vesting period of the share options granted to incentive participants will not be less than 12 months and there is no circumstance in which a vesting period will be shorter than 12 months.

Other Information (Continued)

The exercise arrangements for the share options under the 2026 A Share Incentive Scheme are as follows:

Exercise period		Exercise schedule	Exercise proportion
Initially granted share options	First exercise period	From the first trading day after 12 months following the grant date of the initially granted share options until the last trading day within 24 months following the grant date of the initially granted share options	30%
	Second exercise period	From the first trading day after 24 months following the grant date of the initially granted share options until the last trading day within 36 months following the grant date of the initially granted share options	30%
	Third exercise period	From the first trading day after 36 months following the grant date of the initially granted share options until the last trading day within 48 months following the grant date of the initially granted share options	40%
Reserved share options	First exercise period	From the first trading day after 12 months following the grant date of the reserved share options until the last trading day within 24 months following the grant date of the reserved share options	50%
	Second exercise period	From the first trading day after 24 months following the grant date of the reserved share options until the last trading day within 36 months following the grant date of the reserved share options	50%

Share options for which exercise conditions are not met during the stipulated periods above cannot be exercised or deferred to subsequent periods, and the Company will cancel the corresponding share options of the incentive participants according to the principles stipulated in the A Share Incentive Scheme. After each exercise period ends, any unexercised share options of the incentive participants for that period shall terminate and be cancelled by the Company.

Performance Targets Attached to Share Options

(1) Performance appraisal requirements at company level

The 2026 A Share Incentive Scheme shall assess the Company's performance metrics annually during fiscal years from 2026 to 2028, subject to the achievement of the performance target of the Company as one of the conditions of exercise of the share options of the incentive participants. The company-level performance appraisal targets for share options granted under the 2026 A Share Incentive Scheme are as follows:

Exercise arrangements		Performance appraisal targets
Initially granted share options	First exercise period	The operating revenue realized shall not be less than RMB5.811 billion or the net profit shall not be less than RMB335 million in 2026.
	Second exercise period	The accumulated operating revenue realized shall not be less than RMB12.784 billion or the net profit shall not be less than RMB738 million from 2026 to 2027.
	Third exercise period	The accumulated operating revenue realized shall not be less than RMB21.151 billion or the net profit shall not be less than RMB1.221 billion from 2026 to 2028.
Reserved share options	First exercise period	The accumulated operating revenue realized shall not be less than RMB12.784 billion or the net profit shall not be less than RMB738 million from 2026 to 2027.
	Second exercise period	The accumulated operating revenue realized shall not be less than RMB21.151 billion or the net profit shall not be less than RMB1.221 billion from 2026 to 2028.

Note:

(1) The "operating revenue" above refers to the audited operating revenue of the listed company.

(2) The "net profit" above refers to the audited net profit attributable to shareholders of the listed company, calculated on the basis of figures excluding the impact of share-based payment expenses arising from this and other employee incentive schemes.

During the exercise period, the Company shall process the exercise matters for incentive participants who meet the exercise conditions. Should the Company's performance level during each exercise period fail to meet the performance appraisal target conditions, all share options scheduled for exercise in such appraisal year of all incentive participants shall not be exercised and shall be cancelled by the Company.

Other Information (Continued)

(2) Performance appraisal requirements at individual level for the incentive participants

Performance appraisal at individual level for the incentive participants shall be conducted in accordance with the Company's internal performance appraisal policies. Individual appraisal outcomes of the incentive participants are divided into six grades, namely, "A", "B+", "B", "B–", "C", and "D". The corresponding individual-level exercise ratios are as follows:

<table>
<tr><th>Appraisal grade</th><th>A</th><th>B+</th><th>B</th><th>B–</th><th>C</th><th>D</th></tr>
<tr><td>Individual-level exercise ratio</td><td colspan="2">100%</td><td>85%</td><td>75%</td><td colspan="2">0%</td></tr>
</table>

Subject to the Company achieving its performance targets, the actual share option exercise amount of incentive participants for the year = the individual's planned share option exercise amount for the year X the exercise ratio at individual level. If an incentive participant is unable to exercise options due to individual-level performance appraisal reasons, such options shall be cancelled by the Company.

The specific appraisal content for the A Share Incentive Scheme shall be implemented in accordance with the A Share Incentive Scheme Measures.

Lock-up Period for Directors, Senior Management and Their Spouses, Parents and Children

If the incentive participant is a Director or senior management of the Company, during their term of office determined at appointment and within six months after the term expires, the annual transfer of shares shall not exceed 25% of the total shares they hold in the Company. Within six months after leaving office, they shall not transfer the shares they hold in the Company. If the incentive participant is a Director or senior management of the Company, or their spouse, parents, or children, and they sell the Company's shares they hold within six months after purchase, or buy them again within six months after sale, any profits derived therefrom shall belong to the Company, and the Board of Directors of the Company shall recover such profits.

Clawback Mechanism

If the Company is subject to any of the following circumstances: an audit report on the financial and accounting report for the most recent fiscal year in which a certified public accountant issued an adverse opinion or was unable to express an opinion; an audit report on internal control over financial reporting for the most recent fiscal year in which a certified public accountant issued an adverse opinion or was unable to express an opinion; in the last 36 months after listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments; circumstances in which equity incentives are not allowed under laws and regulations; or other circumstances that the CSRC deems necessary to terminate the Incentive Scheme, then the A Share Incentive Scheme shall be terminated, and the share options granted to the incentive participants under the A Share Incentive Scheme but not exercised shall be cancelled by the Company

Other Information (Continued)

If the Company fails to meet the conditions for granting share options or the exercise arrangements due to false records, misleading statements or major omissions in the information disclosure documents, the share options granted to the incentive participants but not exercised shall be cancelled by the Company. If the share options granted to the incentive participants have been exercised, all the incentive participants shall return the granted equity. If the incentive participants not being responsible for the above matters suffer from losses due to the return of equity, they can recover such losses from the Company or the responsible targets in accordance with the relevant arrangements under the A Share Incentive Scheme. The Board shall recover the proceeds from the incentive participants in accordance with the preceding paragraph and the relevant arrangements under the A Share Incentive Scheme.

In addition, if an incentive participant experiences a change in position, resignation, retirement, loss of labor capacity, death or change in eligibility, or if the subsidiary in which the incentive participant works undergoes a change in control, the exercised share options shall not be handled, and share options granted but not yet exercised shall not be exercised and shall be cancelled by the Company.

Information on Share Options Granted but Not Yet Exercised

On June 11, 2026, the Company granted 3,998,450 share options to 1,056 eligible incentive participants under the initial grant, with an exercise price of RMB113.71 per option. On the day immediately preceding the above-mentioned grant date (i.e., June 10, 2026), the closing prices of the A Shares and H Shares were RMB175.99 per share and HK$121.5 per share, respectively.

On June 18, 2026, the Company completed the registration of the equity for the share options granted under the initial grant of the A Share Incentive Scheme, with the actual number of grantees being 1,055, and 3,998,050 share options registered. The discrepancy between the number registered and the number granted is due to the fact that, after the grant date and prior to the equity registration period, one incentive participant relinquished all granted share options for personal reasons, involving a total of 400 share options, which were not registered in accordance with the relevant provisions of the A Share Incentive Scheme.

As of the Latest Practicable Date, except for 999,612 share options reserved for grants, no further options or restricted shares under the 2026 A Share Incentive Scheme are available for grant.

Other Information (Continued)

The following table sets forth the details of the movements in options under the 2026 A Share Incentive Scheme during the Reporting Period:

Name or category of grantee	Date of grant	Exercise period	Exercise price	Outstanding as at April 28, 2026 (date of shareholder approval of the 2026 A Share Incentive Scheme)	From April 28, 2026 to June 30, 2026 Granted	Cancelled	Exercised	Outstanding as at June 30, 2026
Mr. Zhang Jie (Executive Director)	June 11, 2026	30% exercisable during the period from	RMB113.71	—	14,550	—	—	14,550
Mr. Zhao Hongwei (Executive Director)		June 11, 2027 to June 10, 2028; 30% during the period from		—	14,550	—	—	14,550
Mr. Cheng Gucheng (Deputy General Manager and Financial Controller)		June 11, 2028 to June 10, 2029; and 40% during the period from June 11, 2029 to June 10, 2030		—	14,550	—	—	14,550
Core Management and Technical (Business) Personnel (Total 1,052 persons)				—	3,954,400	—	—	3,954,400
Total				–	3,998,050	—	—	3,998,050

Note: (3) As the options granted under the 2026 A Share Incentive Plan during the Reporting Period had not yet vested, the percentage of the number of shares that may be issued in respect of the options granted under the 2026 A Share Incentive Scheme during the Reporting Period divided by the weighted average number of shares of the relevant class in issue during the Reporting Period was 0%.

(c) H Share Incentive Scheme

At the 2025 Annual General Meeting convened on April 28, 2026, the H Share Incentive Scheme of the Company was approved by the Shareholders. For details, please refer to the circular to the Annual General Meeting dated April 2, 2026.

Other Information (Continued)

Purpose

The specific purpose of the H Share Incentive Scheme is: (i) to establish and improve the Company's long-term incentive mechanism, with a special focus on the Group's overseas employees and service providers, to attract and retain outstanding international talent; and (ii) to fully motivate the Company's overseas employees and service providers, attract more high-quality international talents, and effectively align the long-term interests of Shareholders, the Company, and the Group's employees and service providers, with a view to accelerating the Company's international expansion and promoting its long-term development.

Administration

The H Share Incentive Scheme has been approved by the Shareholders' general meeting, and shall be administered by the Board in accordance with the Scheme Rules.

Participants

"Eligible Participant(s)" under the H Share Incentive Scheme refer to Employee Participant(s) and Service Provider Participant(s) who are eligible to participate in the Scheme as determined by the Board and/or its delegatee at its sole and absolute discretion, but excluding any Excluded Participants.

The Eligible Participants include:

(i) Employee Participant(s): including (a) any director (excluding independent non-executive directors) and employee (whether full-time or part-time) of any members of the Group who is not a national of Chinese Mainland; and (b) any director (excluding independent non-executive director) and employee (whether full-time or part-time) of any members of the Group incorporated or established in countries or regions outside Chinese Mainland. The Company excludes nationals of Chinese Mainland and members of the Group incorporated or established in Chinese Mainland from the H Share Incentive Scheme to separate the participants of H Share Incentive Scheme from the participants of A Share Incentive Scheme to achieve better administrative efficiency. Meanwhile, there are 5 employees who are non-Chinese Mainland residents and have entered into employment contracts with members of the Group incorporated or established in Chinese Mainland voluntarily choose to participate in the A Share Incentive Scheme and waive their participation in the H Share Incentive Scheme.

(ii) Service Provider Participant(s): including any service provider engaged by the Group and located in countries and regions outside Chinese Mainland who provides services to the Group's connectivity and data transmission business (designing, developing and selling related products, including broadband, wireless, and photonics products, and other related technologies and products) on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long-term growth of the Group, and falls into any of the following categories: (a) market development service providers; and (b) technology and R&D service providers.

"Excluded Participant(s)" refer to any person or entity who or which, according to the laws or regulations of their place of residence, are not permitted to be granted Incentive Shares and/or to vest and transfer the Incentive Shares pursuant to the Scheme Rules, or whom or which the Board deems necessary or appropriate to exclude for compliance with applicable laws or regulations in such places.

Other Information (Continued)

Source of Shares

The source of the Incentive Shares is the ordinary H Shares issued by the Company and Treasury Shares (if any). As of the Latest Practicable Date, the Company did not have any Treasury Shares and did not have any specific plan to utilize Treasury Shares for the Incentive Shares. In case the Company plans to utilize Treasury Shares for the Incentive Shares, the Company and/or the Board will utilize the Treasury Shares derived from share repurchases carried out under the Repurchase Mandate approved at the Annual General Meeting.

Scheme Mandate Limit

The total number of Incentive Shares to be granted under the H Share Incentive Scheme shall not exceed 17,632,518 Shares, representing approximately 5% of the total number of issued Shares (excluding Treasury Shares) as at the date of approval of the H Share Incentive Scheme (the "Scheme Mandate Limit").

Within the Scheme Mandate Limit, the total number of Incentive Shares to be granted to Service Provider Participants under the H Share Incentive Scheme shall not exceed 3,526,503 Shares,representing approximately 1% of the total number of Shares in issue as at the date of approval of the H Share Incentive Scheme (excluding the Treasury Shares) unless the Company obtains approval from the Shareholders.

Validity period

Except for early termination as determined by the Board pursuant to the Scheme Rules, the H Share Incentive Scheme is valid for a period of ten (10) years starting from the Adoption Date and no further Incentive Shares will be granted under the H Share Incentive Scheme thereafter.

Purchase Price of Incentive Shares

The Board may in its absolute discretion determine whether to require the Selected Participants to pay any Purchase Price for obtaining the Incentive Shares and, if so required, determine the amount of the Purchase Price after taking into account (i) the practices of comparable companies, (ii) other granting or vesting terms such as the number of Shares concerned, and the remuneration packages of the Selected Participants, and (iii) the effectiveness of the H Share Incentive Scheme in attracting talents and motivating the Selected Participants to contribute to the long-term development of the Group. For the avoidance of doubt the Board may determine the Purchase Price to be at nil consideration.

Considering that the Eligible Participant(s) have contributed or will contribute to the Group, the Board is of the view that the basis of determining the Purchase Price aligns with the purpose of the H Share Incentive Scheme where the Incentive Shares are intended to be granted to Eligible Participants to encourage and reward their contributions to the Group.

Vesting period

The vesting period for the Incentive Shares shall not be less than 12 months. The Directors are of the view that a vesting period of no less than 12 months would allow the Group to promote long-term commitment and stability among Eligible Participants, which aligns with the purpose of the H Share Incentive Scheme.

Performance targets

Subject to the provisions of the Scheme Rules, the Board may, from time to time, at its sole and absolute discretion select any Eligible Participant for participation in the H Share Incentive Scheme as a Selected Participant, and grant Incentive Shares to any Selected Participant at such consideration and subject to such terms and conditions as the Board may in its sole and absolute discretion determine. The Board is entitled to impose any conditions, as it deems appropriate in its sole and absolute discretion with respect to the vesting of the Incentive Shares to the Selected Participant, including but not limited to the vesting based on the performance assessment of the company where the Selected Participant is employed and the individual performance evaluation results of the Selected Participant. Vesting of Incentive Share shall be subject to the performance targets, if any, to be satisfied by the Selected Participant as determined by the Board or its authorized person from time to time. Such performance targets may include, without limitation, the Company's business, financial, or operational performance, or any performance assessment criteria deemed reasonable and applicable to the Eligible Participant as to be determined by the Board and/or its authorized persons in their absolute discretion, based on, among other considerations:(i) for Directors and members of senior management of the Company: business or financial milestones, transaction milestones, performance appraisal within a specified period reaching a desirable level, or the Selected Participant's anticipated future contribution to the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets etc.); (ii) for other Employee Participants (except for Directors or members of senior management of the Company): performance appraisal within a specified period reaching a desirable level, or the Selected Participant's anticipated future contribution to the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets etc.); and (iii) for Service Provider Participants: the Selected Participant's anticipated future contribution to the long-term development of the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets or business collaboration targets etc.). For the avoidance of doubt, the H Share Incentive Scheme does not specify any performance targets which will be set forth in the applicable grant instrument. The Directors are of the view that it is not practicable to expressly set out a generic set of performance targets in the Rules for the H Share Incentive Scheme, as each Selected Participant will play different roles and contribute in different ways to the Group. The Board shall have regard to the purpose of the H Share Incentive Scheme in making such determinations and ensure that appropriate specific performance targets will be set under particular circumstances of the relevant Selected Participant(s).

Clawback mechanism

Under certain circumstances (such as act of fraud or dishonesty or serious misconduct committed by Selected Participants) as set out in the Rules for the H Share Incentive Scheme, the Board may, at its sole and absolute discretion, require the Selected Participant to return the gains from the vested Incentive Shares. The Directors are of the view that such clawback mechanism in the H Share Incentive Scheme provides a choice for the Company to clawback the equity incentives granted to Selected Participants culpable of misconduct, ensuring that Incentive Shares are granted only to those who act in the Company's best interests. It provides the Board with more flexibility in setting the terms and conditions of the Incentive Shares under particular circumstances of each grant, which would facilitate the objective to offer meaningful incentives to attract and retain quality personnel that are valuable to the development of the Group, and is in line with the purpose of the H Share Incentive Scheme and the interests of Shareholders. In conclusion, the Directors are of the view that the terms of H Share Incentive Scheme align with the purpose of the H Share Incentive Scheme.

Other Information (Continued)

Information on Incentive Shares Granted but Not Yet Vested

On August 24, 2026, the Company granted a total of 2,285,000 Incentive Shares to 91 Selected Participants at a purchase price of nil, subject to acceptance by the Selected Participants. Immediately preceding the day before the above-mentioned grant date (i.e., August 21, 2026), the closing prices of the A Shares and H Shares were RMB180.97 per share and HK$96.4 per share, respectively.

As of the Latest Practicable Date, immediately after the aforementioned grant of Incentive Shares under the H Share Incentive Scheme, 15,347,518 H Shares are available for future grant under the Scheme Mandate Limit and 3,526,503 H Shares are available for future grant under the Service Provider Sublimit.

The table below sets forth the details of the Incentive Shares granted as of the date of this report:

Name or category of Selected Participant	Grant date	Vesting period	Purchase price	Outstanding as at April 28, 2026 (date of shareholder approval of the 2026 H Share Incentive Scheme)	From April 28, 2026 to the date of this report				Outstanding as at the date of this report
					Granted	Cancelled	Lapsed	Vested	
Mr. Gerald G Wong (Chairman of the Board, General Manager (Chief Executive Officer) and Executive Director)	August 24, 2026	See notes 1 and 2 for details	Nil	—	120,000	—	—	—	120,000
Ms. Peiqin Jiang (employee of the Group, spouse of Mr. Gerald G Wong)				—	50,000	—	—	—	50,000
Ms. Iris E Wong (employee of the Group, sister of Mr. Gerald G Wong)				—	50,000	—	—	—	50,000
Employee Participants (total 88 persons)				—	2,065,000	—	—	—	2,065,000
Total				–	2,285,000	—	—	—	2,285,000

Notes:

(1) The Incentive Shares shall vest in installments during the period of three years commencing from the grant date, subject to (i) the Selected Participant remaining an Eligible Participant, and (ii) the Selected Participant has achieved the performance targets. 35% of the Incentive Shares shall vest 1 year after the grant date; 35% of the Incentive Shares shall vest 2 years after the grant date; and the remaining 30% of the Incentive Shares shall vest 3 years after the grant date. The vesting period for the Incentive Shares will not be less than 12 months. The aforementioned percentages represent the upper limits of planned vesting for each tranche, and the actual number of vested shares shall be ultimately determined based on the appraisal coefficient under the vesting conditions set out in the grant letter.

(2) The vesting of the Incentive Shares is subject to individual-level performance appraisal conditions. Individual Selected Participants are required to achieve corresponding performance targets through the Company's internal performance appraisal process. The performance appraisal results are categorized into six grades: A, B+, B, B-, C and D, with corresponding individual appraisal coefficients (M) as follows:

Appraisal result of A or B+: Individual appraisal coefficient is 100%

Appraisal result of B or B-: Individual appraisal coefficient is 75%

Appraisal result of C or D: Individual appraisal coefficient is 0

Number of shares actually vested in the current period = Number of shares planned for vesting in the current period × Individual appraisal coefficient (M)

If the performance appraisal of a selected participant for the current period does not meet the vesting conditions, the corresponding unvested Incentive Shares shall automatically lapse and shall not be carried forward to subsequent vesting periods.

(3) As no Incentive Shares were granted under the H Share Incentive Plan during the Reporting Period, the percentage of the number of shares that may be issued in respect of the Incentive Shares granted under the H Share Incentive Plan during the Reporting Period divided by the weighted average number of shares of the relevant class in issue during the Reporting Period was 0%.

USE OF PROCEEDS

Initial Public Offering of H Shares

On October 28, 2025, the H shares of the Company were successfully listed on the Hong Kong Stock Exchange and 67,010,500 H shares were issued at HK$68.88 per H share with gross proceeds of approximately HK$4,615.7 million and net proceeds of approximately HK$4,480.0 million after deducting related expenses (i.e., net proceeds per H-share amount to approximately HKD66.86).

On November 10, 2025, the Over-allotment Option was fully exercised and 10,051,500 H Shares were issued at HK$68.88 per H Share for gross proceeds of HK$692.3 million and net proceeds of approximately HK$677.1 million after deducting related expenses (i.e., net proceeds per H-share amount to approximately HKD67.36).

Other Information (Continued)

The above net proceeds, in aggregate, amounted to approximately HK$5,157.1 million. The actual usage and intended timetable for use of the unutilized proceeds as of June 30, 2026 are detailed as follows:

Intended use	Budgeted amount *(HKD' million)*	Unutilized amount as at January 1, 2026 *(HKD' million)*	Amount used during the Reporting Period *(HKD' million)*	Unutilized amount as at June 30, 2026 *(HKD' million)*	Intended timetable for use of the unutilized amount
Increase our production capacity in photonics, broadband and wireless products					
• In relation to our broadband products, including our 50G/25GPON products	618.9	615.1	4.9	610.2	By the end of 2027
• In relation to our wireless products, including our Wi-Fi7 and Wi-Fi8 products	670.4	670.3	0.4	670.0	By the end of 2027
• In relation to our photonics products, including our 800G/1.6T products	1,289.3	1,067.8	721.1	346.7	By the end of 2027
Enhance our R&D talents and technologies to achieve more breakthroughs					
• Recruitment of R&D talents	283.6	283.6	19.5	264.1	By the end of 2027
• Upgrade machinery and software to support our R&D efforts	489.9	489.9	15.7	474.2	By the end of 2027
• Materials used to support R&D efforts	257.9	257.2	14.4	242.8	By the end of 2027
Strengthen business promotion and marketing efforts					
• Recruit sales and marketing talents	242.4	242.4	—	242.4	By the end of 2030
• Industry associations and global events	15.4	15.4	0.1	15.3	By the end of 2030
Strategic investment	773.6	598.7	175.0	423.7	By the end of 2030
Working capital	515.7	—	—	—	N/A
Total	5,157.1	4,240.3	986.3	3,289.2	

As of June 30, 2026, the unused proceeds of the Company have been deposited with reputable banks in Chinese Mainland, and have been and will continue to be used in a manner consistent with the planned use of the proceeds as disclosed in the Prospectus and in accordance with the proposed schedule of use as set out above.

PLACING OF NEW H SHARES UNDER GENERAL MANDATE

On May 28, 2026 (before trading hours), the Company entered into a placing agreement with the joint placing agents, and on June 4, 2026, a total of 15,600,000 new H Shares were successfully allotted and issued to not less than six placees (who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and their ultimate beneficial owners, are independent third parties) at the placing price of HK$126.66 per H share, representing approximately 16.84% of the total issued H Shares as enlarged by the allotment and issue of the placing shares. On May 27, 2026 (being the last trading day prior to the signing of the Placing Agreement), the closing price of each H Share as quoted on the Stock Exchange was HK$139.00. The gross proceeds from the placing amounted to approximately HK$1,975.90 million, and the net proceeds from the placing (after deducting placing commission and other related costs and expenses) amounted to approximately HK$1,966.97 million (equivalent to a net price of approximately HK$126.09 per H Share).

In light of the recent robust development of AI applications, demand for high-speed optical transceivers has increased significantly, leading to shortages of core components, such as high-speed DSP chipsets required for 800G and 1.6T optical transceivers, 100G/channel and 200G/channel silicon photonics chipsets, and 70mW to 200mW continuous-wave (CW) laser devices. The delivery lead times for such core components have been substantially extended, and deposits or advance payments are required to secure production capacity. In view of the above, the Company has been planning to further build up its strategic reserves of core components in the coming years to ensure that its newly expanded production capacity is fully utilised to meet customer demand. The Company considers that the placing proceeds will provide stable financial support for this purpose. Accordingly, 80% of the net placing proceeds are expected to be used for strategic reserves of core components; 10% are expected to be used for supplementing the Group's working capital; and the remaining 10% are expected to be used for other general corporate purposes. The actual usage and intended timetable for use of the unutilized proceeds as of June 30, 2026 are detailed as follows:

Intended use	**Budgeted amount** *(HKD' million)*	**Amount used during the Reporting Period** *(HKD' million)*	**Unutilized amount as at June 30, 2026** *(HKD' million)*	**Intended timetable for use of the unutilized amount**
Strategic reserves of core components	1,573.6	449.28	1,124.32	End of 2027
Working capital	196.7	196.7	—	N/A
Other general corporate purposes	196.7	196.7	—	N/A
Total	1,967.0	393.4	1,573.6	

As of June 30, 2026, the unused proceeds of the Company have been deposited with reputable banks in Chinese Mainland, and have been and will continue to be used in a manner consistent with the planned use of the proceeds as disclosed in the announcements dated May 28, 2026 and June 4, 2026 on Placing of New H Shares under General Mandate, and in accordance with the proposed schedule of use as set out above.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares (including any sale or transfer of treasury shares).

CHANGES IN DIRECTOR'S BIOGRAPHICAL DETAILS

Save as disclosed below, during the Reporting Period and as of the date of this report, there was no change in the information required to be disclosed by the Directors under Rule 13.51B(1) of the Hong Kong Listing Rules:

1. With effect from January 15, 2026, Mr. Liu Guisong resigned as the Independent Non-executive Director and ceased to be the chairman of the Remuneration and Evaluation Committee and a member of the Audit Committee. Ms. Yuen Shuk Yee was appointed as the chairman of the Remuneration and Evaluation Committee, and Mr. Qin Guisen was appointed as a member of the Audit Committee.

AUDIT COMMITTEE

As of the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Yao Minglong, Mr. Qin Guisen and Ms. Yuen Shuk Yee, with Mr. Yao Minglong serving as the chairman. The primary duties of the Audit Committee are to provide independent advice to the Board on the effectiveness of the Company's financial reporting procedures, internal control and risk management systems, thereby assisting the Board, and to oversee the audit process.

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and the unaudited consolidated financial statements for the six months ended June 30, 2026.

CORPORATE GOVERNANCE CODE

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. The Company has adopted all code provisions of the CG Code as its corporate governance code. During the Reporting Period, the Company has complied with the code provisions set out in the CG Code, except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and Chief Executive should be separate and should not be performed by the same individual. We do not have a separate chairman and Chief Executive and Mr. Gerald G Wong currently performs these two roles. We believe that vesting the roles of both chairman and Chief Executive in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. We consider that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the Chief Executive of our Company if and when it is appropriate taking into account the circumstances of our Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions as the code of conduct for its Directors in respect of securities transactions. After making specific enquiries with all Directors, each Director has confirmed that they have complied with the standards governing Directors' securities transactions set out in the Model Code for Securities Transactions during the Reporting Period. The Company has not identified any non-compliance with the Model Code for Securities Transactions by employees who may possess inside information of the Company.

INVESTOR RELATIONS

The Board of Directors adopted the Information Disclosure Management System on May 28, 2025, with a view to enhancing the timeliness, fairness, truthfulness, accuracy and completeness of the Company's information disclosure. Under the system, it is stipulated that, save for announcements of the Audit Committee, information disclosed by the Company shall be published in the form of announcements of the Board of Directors. Directors and senior management shall not disclose any unpublished information of the Company to the public without the prior written authorisation of the Board of Directors. When the Company disseminates information to the public, the secretary to the Board of Directors shall submit the relevant contents of the disclosed information in accordance with the relevant provisions of the SSE Listing Rules and the Hong Kong Listing Rules. After the information to be disclosed by the Company has been reviewed and approved by the Shanghai Stock Exchange, it shall be published on the website of the Shanghai Stock Exchange by the secretary to the Board of Directors, and disclosed on the newspapers (if applicable), websites and the Company's website designated by the securities regulatory authorities and the stock exchange of the place where the Company's shares are listed. In addition, the Company shall enhance communication with investors, securities service institutions and the media through information disclosure, so as to promote their understanding and recognition of the Company. The full text of the Information Disclosure Management System was published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on May 29, 2025.

During the Reporting Period, at around 3:40 p.m. on April 27, 2026 (i.e. after the close of the Shanghai Stock Exchange but before the close of the Hong Kong Stock Exchange), the Company's first quarterly report was inadvertently published ahead of schedule on the website of the Shanghai Stock Exchange. Following the incident, the Company has promptly taken necessary and appropriate remedial actions, including: (1) assessing whether there were any potential weaknesses or deficiencies in the Company's internal control system and/or the workflows relating to public disclosure and publication, with a view to ensuring that future announcements published on the Shanghai Stock Exchange and the Hong Kong Stock Exchange comply with the applicable listing rules; (2) mandating that all future A Share and H Share announcements be submitted and uploaded through the respective e-platform after the close of both the Shanghai Stock Exchange and Hong Kong Stock Exchange; and (3) discussing and confirming with the responsible persons of the relevant external institutions in relation to the Company's information disclosure that all future A Share announcements shall only be published on the website of the Shanghai Stock Exchange after the close of both the Shanghai Stock Exchange and Hong Kong Stock Exchange, to ensure that no price-sensitive publications will be released before the close of the Hong Kong Stock Exchange.

Other Information (Continued)

In accordance with the requirements of the SSE Listing Rules and the Hong Kong Listing Rules, the Company prepares its corporate communications distributed to Shareholders in both Chinese and/or English to facilitate Shareholders' understanding of the contents. Subject to compliance with the PRC Company Law, the SSE Listing Rules, the Hong Kong Listing Rules, and other applicable laws and regulations, the Company may choose to send or make available corporate communications to its Shareholders by electronic means or by posting information on the Company's website and the Hong Kong Stock Exchange website, in lieu of sending corporate communications to Shareholders by physical delivery or by prepaid mail.

The Company's published announcements, meeting notices, circulars, and other documents can be accessed on the Shanghai Stock Exchange website (www.sse.com.cn), the Hong Kong Stock Exchange website (www.hkexnews.hk), and the Company's website (www.cigtech.com).

Consolidated Income Statement

For the Six Months Ended June 30, 2026

Unit: Yuan Currency: RMB

Item	Note VII	H1 2026	H1 2025
I. Total operating revenue		2,705,007,720.63	2,035,126,267.94
Including: Operating revenue	61	2,705,007,720.63	2,035,126,267.94
II. Total operating cost		2,463,165,639.12	1,916,891,425.78
Including: Operating costs	61	1,872,682,598.96	1,587,118,993.01
Taxes and surcharges	62	6,894,061.56	5,631,404.13
Selling expenses	63	60,093,174.68	52,041,637.00
Administrative expenses	64	115,245,082.52	104,007,615.45
R&D expenses	65	208,843,303.94	160,784,933.50
Financial expenses	66	199,407,417.46	7,306,842.69
Including: Interest expenses		29,034,901.20	24,262,582.48
Interest income		31,948,059.34	3,527,282.56
Add: Other income	67	46,923,611.60	9,859,185.91
Investment income ("—" for losses)	68	−2,740,757.34	0.00
Including: Losses on credit impairment ("—" for losses)	71	−6,536,666.31	−5,586,552.76
Losses on asset impairment ("—" for losses)	72	−3,119,756.10	−3,368,770.80
Income on asset disposal ("—" for losses)	73	−77,357.41	25,604.30
III. Operating profit ("—" for losses)		276,291,155.95	119,164,308.81
Add: Non-operating income	74	1.34	226,636.48
Less: Non-operating expenses	75	1,826,751.39	295,041.75
IV. Total profit ("—" for total losses)		274,464,405.90	119,095,903.54
Less: Income tax expenses	76	527,166.06	1,550,328.80
V. Net profit ("—" for net losses)		273,937,239.84	117,545,574.74
(I) Classification by business continuity			
1. Net profit from continuing operation ("—" for net losses)		273,937,239.84	117,545,574.74
(II) Classification by ownership			
1. Net profit attributable to shareholders of the parent company ("—" for net losses)		327,746,411.73	120,904,406.55
2. Loss or profit attributable to minority interests ("—" for net losses)		−53,809,171.89	−3,358,831.81

Consolidated Income Statement (Continued)

For the Six Months Ended June 30, 2026

Item	Note VII	H1 2026	H1 2025
VI. Net after-tax amount of other comprehensive income		−18,365,582.12	1,931,196.86
(I) Net after-tax amount of other comprehensive income attributable to owners of the parent company		−18,365,582.12	1,931,196.86
1. Other comprehensive income that can be reclassified to profit and loss		−18,365,582.12	1,931,196.86
(1) Translation differences from foreign currency financial statements		−18,365,582.12	1,931,196.86
VII. Total comprehensive income		255,571,657.72	119,476,771.60
(I) Total comprehensive income attributable to owners of the parent company		309,380,829.61	122,835,603.41
(II) Total comprehensive income attributable to minority interests		−53,809,171.89	−3,358,831.81
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.93	0.45
(II) Diluted earnings per share (RMB/share)		0.93	0.45

In relation to the business combination under common control occurring in the current period, the acquiree achieved a net profit of RMB0.00 prior to the combination. For the comparative prior period, the acquiree reported a net profit of RMB0.00.

Consolidated Balance Sheet

As of June 30, 2026

Unit: Yuan Currency: RMB

Item	Note VII	June 30, 2026	December 31, 2025
Current assets:			
Monetary funds	1	**3,443,747,212.84**	4,790,693,031.65
Trading financial assets	2	**10,006,515.78**	
Notes receivable	4	**992,876.07**	27,040.00
Accounts receivable	5	**2,619,379,049.65**	1,997,720,164.78
Prepayments	8	**557,830,256.43**	168,639,509.56
Other receivables	9	**5,816,290.58**	8,416,085.80
Inventories	10	**3,197,101,475.74**	2,375,753,927.22
Other current assets	13	**385,874,116.98**	214,197,419.08
Total current assets		**10,220,747,794.07**	9,555,447,178.09
Non-current assets:			
Long-term equity investments	17	**229,685,068.49**	128,737,434.00
Other non-current financial assets	19	**21,560,490.00**	14,560,490.00
Fixed assets	21	**1,038,009,663.05**	874,474,927.65
Construction in progress	22	**947,472,423.38**	457,643,424.22
Right-of-use assets	25	**171,157,864.72**	126,370,497.24
Intangible assets	26	**394,631,672.56**	436,338,995.74
Development expenditures		**109,852,580.71**	103,604,145.95
Goodwill	27	**98,968,519.23**	98,968,519.23
Long-term deferred expenses	28	**72,067,395.65**	16,049,231.20
Deferred income tax assets	29	**48,310,548.29**	39,420,399.71
Other non-current assets	30	**289,324,758.80**	54,279,725.31
Total non-current assets		**3,421,040,984.88**	2,350,447,790.25
Total assets		**13,641,788,778.95**	11,905,894,968.34

Consolidated Balance Sheet (Continued)

As of June 30, 2026

Item	*Note VII*	June 30, 2026	December 31, 2025
Current liabilities:			
Short-term borrowings	32	1,044,485,624.63	1,939,913,706.47
Notes payable	35	31,987,912.56	49,445,057.64
Accounts payable	36	2,412,260,616.86	1,779,655,480.60
Contract liabilities	38	6,425,518.26	7,073,810.84
Staff remuneration payable	39	40,915,470.15	42,106,915.10
Taxes payable	40	19,234,123.74	27,362,844.91
Other payables	41	57,609,904.25	46,647,299.78
Including: Dividends payable		146,008.17	146,008.14
Non-current liabilities due within one year	43	102,538,728.38	268,776,780.41
Other current liabilities	44	3,955,449.03	11,323,858.77
Total current liabilities		3,719,413,347.86	4,172,305,754.52
Non-current liabilities:			
Long-term borrowings	45	274,500,000.00	
Lease liabilities	47	159,866,413.03	114,626,772.04
Deferred income	51	51,584,810.24	53,827,703.11
Deferred tax liabilities	29	15,475,712.28	6,306,361.78
Total non-current liabilities		501,426,935.55	174,760,836.93
Total liabilities		4,220,840,283.41	4,347,066,591.45
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	53	368,250,373.00	352,650,373.00
Capital reserve	55	7,991,558,715.09	6,301,868,862.84
Other comprehensive income	57	−39,062,263.58	−20,696,681.46
Surplus reserve	59	123,591,917.44	123,591,917.44
Undistributed profit	60	920,990,228.67	691,985,921.38
Total owners' equity (or shareholders' equity) attributable to owners of the parent company		9,365,328,970.62	7,449,400,393.20
Minority interests		55,619,524.92	109,427,983.69
Total owners' equity (or shareholders' equity)		9,420,948,495.54	7,558,828,376.89
Total liabilities and owners' equity (or shareholders' equity)		13,641,788,778.95	11,905,894,968.34

Consolidated Statement of Changes in Owners' Equity

For the Six Months Ended June 30, 2026

Unit: Yuan Currency: RMB

	H1 2026														
	Equity Attributable to Owners of the Parent Company														
		Other Equity Instruments													
Item	Paid-in Capital (or Share Capital)	Preferred Shares	Perpetual Bonds	Others	Capital Reserves	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	General Risk Reserves	Undistributed Profit	Others	Subtotal	Minority Interests	Total Owners' Equity
I. Closing balance in prior year	352,650,373.00				6,301,868,862.84		−20,696,681.46		123,591,917.44		691,985,921.38		7,449,400,393.20	109,427,983.69	7,558,828,376.89
II. Opening balance in current year	352,650,373.00	0.00	0.00	0.00	6,301,868,862.84	0.00	−20,696,681.46	0.00	123,591,917.44	0.00	691,985,921.38	0.00	7,449,400,393.20	109,427,983.69	7,558,828,376.89
III. Increase/decrease in current period ("—" for decrease)	15,600,000.00	0.00	0.00	0.00	1,689,689,852.25	0.00	−18,365,582.12	0.00	0.00	0.00	229,004,307.29	0.00	1,915,928,577.42	−53,808,458.77	1,862,120,118.65
(I) Total comprehensive income							−18,365,582.12				327,746,411.73		309,380,829.61	−53,809,171.89	255,571,657.72
(II) Capital investment and reduction by owners	15,600,000.00	0.00	0.00	0.00	1,698,365,531.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,713,965,531.64	713.12	1,713,966,244.76
1. Common stocks invested by owners	15,600,000.00				1,696,281,598.28								1,711,881,598.28		1,711,881,598.28
2. Share-based payment recognized in owners' equity					2,084,646.48								2,084,646.48		2,084,646.48
3. Others					−713.12								−713.12	713.12	0.00
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	−98,742,104.44	0.00	−98,742,104.44	0.00	−98,742,104.44
1. Distribution to owners (or shareholders)											−98,742,104.44		−98,742,104.44		−98,742,104.44
(IV) Others					−8,675,679.39								−8,675,679.39		−8,675,679.39
IV. Closing balance in current period	368,250,373.00	0.00	0.00	0.00	7,991,558,715.09	0.00	−39,062,263.58	0.00	123,591,917.44	0.00	920,990,228.67	0.00	9,365,328,970.62	55,619,524.92	9,420,948,495.54

Consolidated Statement of Changes in Owners' Equity (Continued)

For the Six Months Ended June 30, 2026

Item	H1 2025														
	Equity Attributable to Owners of the Parent Company														
		Other Equity Instruments													
	Paid-in Capital (or Share Capital)	Preferred Shares	Perpetual Bonds	Others	Capital Reserves	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	General Risk Reserves	Undistributed Profit	Others	Subtotal	Minority Interests	Total Owners' Equity
I. Closing balance in prior year	268,041,841.00				1,452,684,577.02	18,351,072.08	−14,869,643.38		88,426,430.78		534,749,900.28		2,310,682,033.62	150,307,277.53	2,460,989,311.15
II. Opening balance in current year	268,041,841.00	0.00	0.00	0.00	1,452,684,577.02	18,351,072.08	−14,869,643.38	0.00	88,426,430.78	0.00	534,749,900.28	0.00	2,310,682,033.62	150,307,277.53	2,460,989,311.15
III. Increase/decrease in current period ("—" for decrease)	0.00	0.00	0.00	0.00	3,499,424.22	−18,214,892.08	1,931,196.86	0.00	0.00	0.00	61,935,201.53	0.00	85,580,714.69	−3,359,660.86	82,221,053.83
(I) Total comprehensive income							1,931,196.86				120,904,406.55		122,835,603.41	−3,358,831.81	119,476,771.60
(II) Capital investment and reduction by owners	0.00	0.00	0.00	0.00	3,499,424.22	−18,214,892.08	0.00	0.00	0.00	0.00	0.00	0.00	21,714,316.30	−829.05	21,713,487.25
1. Common stocks invested by owners						−18,214,892.08							18,214,892.08		18,214,892.08
2. Share-based payment recognized in owners' equity					3,499,424.22								3,499,424.22		3,499,424.22
3. Others													0.00	−829.05	−829.05
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	−58,969,205.02	0.00	−58,969,205.02	0.00	−58,969,205.02
1. Distribution to owners (or shareholders)											−58,969,205.02		−58,969,205.02		−58,969,205.02
IV. Closing balance in current period	268,041,841.00	0.00	0.00	0.00	1,456,184,001.24	136,180.00	−12,938,446.52	0.00	88,426,430.78	0.00	596,685,101.81	0.00	2,396,262,748.31	146,947,616.67	2,543,210,364.98

Consolidated Cash Flow Statement

For the Six Months Ended June 30, 2026

Unit: Yuan Currency: RMB

Item	Note VII	H1 2026	H1 2025
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		2,910,938,727.09	2,312,599,270.14
Refunds of taxes and surcharges		247,596,717.31	232,687,832.19
Other cash received relating to operating activities	77	99,091,475.21	9,097,472.82
Subtotal of cash inflows from operating activities		3,257,626,919.61	2,554,384,575.15
Cash paid for goods and services		3,923,222,425.36	2,413,028,963.44
Cash paid to and on behalf of employees		228,158,716.40	223,100,241.01
Taxes and surcharges paid		39,769,525.94	45,847,932.25
Other cash paid relating to operating activities	77	179,610,554.49	62,275,405.83
Subtotal of cash outflows from operating activities		4,370,761,222.19	2,744,252,542.53
Net cash flows from operating activities		−1,113,134,302.58	−189,867,967.38
II. Cash flows from investing activities:			
Cash received from investment income		6,515.78	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		916,301.23	1,816,896.15
Subtotal of cash inflows from investing activities		922,817.01	1,816,896.15
Cash paid to acquire fixed assets, intangible assets and other long-term assets		685,260,606.07	326,417,413.43
Cash paid to investments	77	112,006,515.78	
Other cash paid relating to investing activities	77	5,000,000.00	
Subtotal of cash outflows from investing activities		802,267,121.85	326,417,413.43
Net cash flows from investing activities		−801,344,304.84	−324,600,517.28
III. Cash flows from financing activities:			
Cash received from capital contribution		1,712,577,953.51	
Cash received from borrowings		435,000,000.00	1,313,147,963.22
Subtotal of cash inflows from financing activities		2,147,577,953.51	1,313,147,963.22
Cash paid for debt repayments		1,224,799,695.46	623,862,810.83
Cash paid for distribution of dividends, profit or interest expenses		123,627,559.49	79,746,213.93
Other cash paid relating to financing activities	77	21,777,356.87	24,435,963.86
Subtotal of cash outflows from financing activities		1,370,204,611.82	728,044,988.62
Net cash flows from financing activities		777,373,341.69	585,102,974.60
IV. Effect of foreign exchange rate changes on cash and cash equivalents		−208,186,530.96	10,254,971.05
V. Net increase in cash and cash equivalents		−1,345,291,796.69	80,889,460.99
Add: Opening balance of cash and cash equivalents		4,789,039,009.53	507,341,089.80
VI. Closing balance of cash and cash equivalents		3,443,747,212.84	588,230,550.79

Notes to the Consolidated Financial Statements

For the Six Months Ended June 30, 2026

I. BASIC INFORMATION ABOUT THE COMPANY

1. Company Profile

CIG SHANGHAI CO., LTD. (hereinafter referred to as the "Company" or "Our Company") was established as a joint-stock limited company through an overall restructuring of Xinqiao Network Equipment (Shanghai) Co., Ltd. (hereinafter referred to as "Shanghai Xinqiao"). Shanghai Xinqiao was approved for establishment by the People's Government of Xuhui District, Shanghai, as per the document XF (2006) No. 63, "Approval on the Articles of Association and Feasibility Study Report of the Wholly Foreign-Owned Company Called Xinqiao Network Equipment (Shanghai) Co., Ltd." The Shanghai Municipal People's Government issued the Approval Certificate for Foreign-Invested Enterprises (SWZHXDZ (2006) No. 0509) on March 9, 2006, and the Company was established with capital contributed by Cambridge Industries Company Limited. The Company's Unified Social Credit Code is 9131000078585112XY, and it was listed on the Shanghai Stock Exchange in November 2017.

On March 26, 2020, the Company received the "Approval on the Non-public Issuance of Shares by CIG SHANGHAI CO., LTD." (ZJXK [2020] No. 207) from the China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), approving the Company to issue no more than 33,482,805 new shares through non-public offering. The Company completed the aforementioned non-public offering on April 21, 2020, issuing an additional 24,224,806 shares.

On July 1, 2020, in line with the Company's "2018 Stock Option and Restricted Stock Incentive Plan" and "Implementation and Assessment Management Measures for the 2018 Stock Option and Restricted Stock Incentive Plan", the Company increased its share capital by 1,368,749 shares due to the second exercise of the first tranche of stock options as granted in 2018.

On April 27, 2020, the 24th meeting of the 3rd session of the Company's Board of Directors and the 18th meeting of the 3rd session of the Company's Board of Supervisors respectively deliberated and adopted the "Proposal on the Cancellation of Certain Stock Options and the Repurchase and Cancellation of Certain Restricted Stocks". It was agreed that, in accordance with the authorization granted by the 2018 First Extraordinary General Meeting of Shareholders and in line with the provisions of the "2018 Stock Option and Restricted Stock Incentive Plan" and the "Implementation and Assessment Management Measures for the 2018 Stock Option and Restricted Stock Incentive Plan", the Company would repurchase and cancel 984,425 restricted shares as held by 116 incentive recipients that had been granted but did not meet the criteria for release from the lock-up period, as the unlock conditions for the second lock-up period of the initially granted restricted shares were not met. Due to the failure to meet the unlock conditions for the second lock-up period and the resignation of 3 incentive recipients, the Company proposed to repurchase and cancel a total of 1,026,675 restricted shares as held by 119 incentive recipients. After the completion of this repurchase and cancellation, the remaining registered restricted shares as held by all incentive recipients were 0 share. The Company completed the relevant cancellation procedures on July 3, 2020, reducing its share capital by 1,026,675 shares.

I. BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

1. Company Profile (Continued)

On April 27, 2020, the 24th meeting of the 3rd session of the Company's Board of Directors and the 18th meeting of the 3rd session of the Company's Board of Supervisors respectively deliberated and adopted the "2019 Profit Distribution and Capital Reserve Conversion into Share Capital Proposal". The Company proposed to convert capital reserves into share capital by distributing 3 additional shares for every 10 shares as held by all shareholders. The Company completed this conversion on August 14, 2020, increasing its share capital by 58,204,746 shares.

On June 28, 2022, the 2021 Annual General Meeting of Shareholders deliberated and adopted the "Proposal on the Amendment to the Articles of Association". Due to the implementation of the 2021 Restricted Stock Incentive Plan, the Company's registered capital increased by RMB3,361,000, and the share capital increased by 3,361,000 shares. After the implementation of the aforementioned matters, the Company's total share capital changed from 252,220,566 shares to 255,581,566 shares.

At the 36th meeting of the 4th session of the Board of Directors held on December 1, 2022, the Company deliberated and adopted the "Proposal on the Initial Grant of Restricted Stocks to Incentive Recipients", agreeing to set December 1, 2022 as the initial grant date. As of December 30, 2022, the Company had received the contributions for 5,991,260 restricted shares from a total of 484 directors, senior executives, and core management and technical (business) personnel serving at the Company (including its subsidiaries). After the implementation of the aforementioned matters, the Company's total share capital changed to 261,572,826 shares.

During the first exercise period of the stock options as initially granted under the Company's 2021 Stock Option Incentive Plan, 38 incentive recipients exercised their options and subscribed for 388,615 freely tradable shares without restrictions on sale, with the registration of new shares completed on February 20, 2023.

During the second exercise period of the stock options as initially granted under the Company's 2021 Stock Option Incentive Plan, 422 incentive recipients exercised their options and subscribed for 6,261,500 freely tradable shares without restrictions on sale, with the registration of new shares completed on April 21, 2023.

On August 3, 2023, the Company repurchased and canceled 118,000 restricted shares that had been granted to 10 incentive recipients who no longer met the incentive conditions and did not meet the conditions for release from the lock-up period.

On May 31, 2024, the Company repurchased and canceled 63,100 restricted shares that had been granted to 11 incentive recipients who no longer met the incentive conditions and did not meet the conditions for release from the lock-up period.

I. BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

1. Company Profile (Continued)

On July 24, 2025, the Company repurchased and canceled 22,000 restricted shares that had been granted to 9 incentive recipients who no longer met the incentive conditions and did not meet the conditions for release from the lock-up period.

During the first exercise period of the stock options as initially granted under the Company's 2024 Stock Option Incentive Plan, 735 incentive recipients exercised their options and subscribed for 7,568,532 freely tradable shares without restrictions on sale, with the registration of new shares completed on November 19, 2025.

On September 30, 2025, the Company received the "Notice on the Filing for Overseas Issuance and Listing by CIG SHANGHAI CO., LTD." (GHH (2025) No. 1682) from the CSRC, confirming the filing for the Company's proposed issuance of no more than 77,062,000 overseas-listed ordinary shares (H shares) and listing on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "HKEX"). With the approval of the HKEX, the Company issued 67,010,500 H shares on October 28, 2025, and completed the over-allotment of an additional 10,051,500 H shares on November 12, 2025. A cumulative total of 77,062,000 H shares were issued, and the relevant shares were simultaneously listed and traded on the Main Board of the HKEX at the time of issuance.

On June 4, 2026, the Company completed the placing of 15,600,000 new H shares. The total number of issued H shares of the Company increased from 77,062,000 shares to 92,662,000 shares, while the total number of issued A shares remained unchanged at 275,588,373 shares. Accordingly, the total number of issued shares of the Company increased from 352,650,373 shares to 368,250,373 shares.

As of June 30, 2026, the Company's total issued share capital was 368,250,373 shares, with a registered capital of RMB368,250,373.00.

Registered Address: Room 501, Building 8, No. 2388 Chenhang Road, Minhang District, Shanghai

Headquarters Address: Room 501, Building 8, No. 2388 Chenhang Road, Minhang District, Shanghai

Primary Business Activities: The Company's principal business is the research and development, production and sales of terminal equipment for communication connections in the fields of telecommunications, data communications, enterprise networks, and home networks (including telecom broadband, wireless networks and edge computing), as well as high-speed optical module products.

These financial statements and the notes thereto were approved at the 34th meeting of the 5th session of the Company's Board of Directors on August 24, 2026.

II. PREPARATION BASIS OF FINANCIAL STATEMENTS

1. Preparation Basis

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance and its application guidelines, interpretations and other relevant regulations (collectively referred to as the Accounting Standards for Business Enterprises). In addition, the Company also discloses relevant financial information in accordance with the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 — General Provisions on Financial Reports (Revised in 2023) as released by the China Securities Regulatory Commission.

The financial statements are based on a going-concern assumption.

The accounting of the Company is based on accrual basis. These financial statements are measured on a historical cost basis, except for certain financial instruments.

If any asset is impaired, the corresponding provision for impairment shall be made according to relevant regulations.

2. Going Concern

The financial statements are based on a going concern assumption.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Notes on specific accounting policies and accounting estimates:

Based on its own production and operation characteristics, the Company has determined the accounting policies for fixed asset depreciation, intangible asset amortization, capitalization conditions for research and development expenses, and revenue recognition. Specific accounting policies are as detailed in Note V.21, Note V.26, Note V.27 and Note V.35.

1. Statement on Observing the Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises, and fully and accurately reflect relevant information such as the Company's financial position, operating results, changes in shareholders' equity and cash flows.

2. Accounting Period

The Company's accounting year commences on January 1 and ends on December 31 of each calendar year.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3. Business Cycle

The business cycle of the Company is 12 months.

4. Bookkeeping Currency

The bookkeeping currency of the Company and its domestic subsidiaries is RMB. Overseas subsidiaries of the Company determine their own bookkeeping currency based on the primary economic environment in which they operate. The currency adopted by the Company in preparing these financial statements is RMB.

5. Methods for Determining and Basis for Selecting Materiality Criteria

Item	Materiality Criteria
Significant receivables individually accrued for bad debts	RMB5 million
Significant write-off of receivables during the current period	RMB5 million
Significant construction in progress	Projects under construction with a budget amount exceeding 5% of the Company's total shareholders' equity
Important non-wholly-owned subsidiaries	Subsidiaries with total assets exceeding 5% of the Company's total shareholders' equity

6. Accounting Treatment Methods for Business Combination under Common Control or Not under Common Control

(1) Business combination under common control

For a business combination under common control, the assets and liabilities of the combined party obtained by the combining party in the combination shall be measured at their carrying values in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the carrying value of the consideration paid for the combination and the carrying value of the net assets obtained in the combination shall be adjusted against capital reserve. If the capital reserve is insufficient to cover the difference, the remaining value shall be adjusted against retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Accounting Treatment Methods for Business Combination under Common Control or Not under Common Control (Continued)

(1) *Business combination under common control (Continued)*

For a business combination under common control achieved through multiple transactions in steps

The assets and liabilities of the combined party obtained by the combining party in the combination shall be measured at their carrying values in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the sum of the carrying value of the investments held prior to the combination and the carrying value of the consideration newly paid on the combination date, and the carrying value of the net assets obtained in the combination, shall be adjusted against capital reserve. If the capital reserve is insufficient to cover the difference, the remaining value shall be adjusted against retained earnings. For long-term equity investments held by the combining party before obtaining control over the combined party, any gains or losses, other comprehensive income, and other changes in owners' equity recognized between the date of obtaining the original equity interest and the later of the date when the combining party and the combined party come under common control of the same ultimate controlling party and the combination date shall be separately offset against the opening retained earnings of the comparative financial statements or the current profits or losses.

(2) *Business combination not under common control*

For a business combination not under common control, the combination cost represents the fair value of assets given up, liabilities incurred or assumed, and equity securities issued by the acquirer to obtain control over the acquiree on the acquisition date. On the acquisition date, the acquiree's assets, liabilities, and contingent liabilities obtained shall be recognized at their fair values.

The excess of the combination cost over the fair value of the acquiree's identifiable net assets acquired in the combination shall be recognized as goodwill and subsequently measured at cost less accumulated impairment reserves. Conversely, if the combination cost is less than the fair value of the acquiree's identifiable net assets acquired, the difference shall be included in the current profits or losses after rechecking.

For a business combination not under common control achieved through multiple transactions in steps

The combination cost represents the sum of the consideration paid on the acquisition date and the fair value of the equity interest in the acquiree already held prior to the acquisition date.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Accounting Treatment Methods for Business Combination under Common Control or Not under Common Control (Continued)

(2) Business combination not under common control (Continued)

For a business combination not under common control achieved through multiple transactions in steps (Continued)

The equity interest in the acquiree already held prior to the acquisition date shall be remeasured at its fair value on the acquisition date, with the difference between the fair value and its carrying value recognized in the current investment income. Other comprehensive income and changes in other owners' equity related to the equity interest in the acquiree already held prior to the acquisition date shall be transferred to the current income on the acquisition date, except for other comprehensive income arising from the remeasurement of net liabilities or net assets of the defined benefit plan by the investee and other comprehensive income related to non-transactional equity instrument investments designated at fair value through other comprehensive income.

(3) Treatment of transaction expenses in a business combination

Intermediary expenses such as for audit, legal services, evaluation and consulting and other related management expenses incurred for a business combination shall be included in the current profits or losses when incurred. The transaction expenses of equity securities or debt securities issued as the combination consideration shall be included in the initial recognition amount of such equity securities or debt securities.

7. Criteria for Determining Control and Methods for Preparing Consolidated Financial Statements

(1) Criteria for determining control

The scope of consolidation for consolidated financial statements shall be determined based on the concept of control. Control means that the Company holding power over the investee is entitled to variable returns by participating in relevant activities of the investee and has the ability to exercise its power over the investee to affect the amount of its returns.

The Company shall reassess its control determination when changes in relevant facts and circumstances affect the elements involved in the definition of control.

When determining whether to include a structured entity in the scope of consolidation, the Company shall evaluate all facts and circumstances, including assessing the purpose and design of the structured entity, identifying the types of variable returns, and determining whether it assumes part or all of the variability of returns through its participation in the relevant activities of the structured entity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Criteria for Determining Control and Methods for Preparing Consolidated Financial Statements (Continued)

(2) *Methods for preparing consolidated financial statements*

Consolidated financial statements are prepared by the Company based on its own and its subsidiaries' financial statements, along with other relevant information. When preparing consolidated financial statements, the Company and its subsidiaries are required to maintain consistent accounting policies and accounting periods, with significant intercompany transactions and balances offset.

Subsidiaries and businesses added during the Reporting Period due to business combinations under common control shall be treated as if they had been included in the Company's scope of consolidation from the date when they came under the control of the same ultimate controlling party, with their operating results and cash flows included in the consolidated income statement and the consolidated cash flow statement, respectively, from that date.

Subsidiaries and businesses added during the Reporting Period due to business combinations not under common control have their revenues, expenses, and profits from the acquisition date to the end of the Reporting Period included in the consolidated income statement, with their cash flows included in the consolidated cash flow statement.

The portion of a subsidiary's shareholders' equity not owned by the Company shall be separately presented as minority shareholders' equity under shareholders' equity in the consolidated balance sheet. The share of the subsidiary's current net profits or losses attributable to minority shareholders' equity shall be presented as "minority interest income" under the net profit item in the consolidated income statement. If the loss of a subsidiary shared by minority shareholders exceeds the portion of minority shareholders in the subsidiary's opening owners' equity, the balance shall still offset against the minority shareholders' equity.

(3) *Acquisition of minority shareholders' equity in subsidiaries*

The difference between the cost of new long-term equity investments acquired by purchasing minority equity and the share of the subsidiaries' net assets continuously calculated from the acquisition date or combination date based on the new shareholding ratio, as well as the difference between the disposal price obtained from partially disposing of equity investments in subsidiaries without losing control and the share of the subsidiaries' net assets continuously calculated from the acquisition date or combination date corresponding to the disposed long-term equity investments, shall be both adjusted against capital reserve in the consolidated balance sheet. If the capital reserve is insufficient to cover the difference, the remaining value shall be adjusted against retained earnings.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Criteria for Determining Control and Methods for Preparing Consolidated Financial Statements (Continued)

(4) Treatment of loss of control over subsidiaries

If control over a former subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity shall be remeasured at its fair value on the date when control is lost. The difference between the sum of the consideration received from the disposal of equity and the fair value of the remaining equity, minus the sum of the share of the former subsidiary's net assets continuously calculated from the acquisition date based on the original shareholding ratio and goodwill, shall be recognized in the investment income for the period when control is lost.

Other comprehensive income related to the equity investment in the former subsidiary shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the former subsidiary when control is lost. Changes in other owner's equity related to the former subsidiary under the equity method shall be transferred to the current profits or losses when control is lost.

8. Classification of Joint Arrangement and Accounting Treatment Method of Common Operation

A joint arrangement refers to an arrangement collectively controlled by two or more participants. Joint arrangement of the Company is divided into common operation and joint venture.

(1) Common operation

A common operation refers to a joint arrangement in which the Company possesses the related assets of the arrangement and bears relevant liabilities thereof.

The Company recognizes the following items related to the Company in the share of interest in the common operation and is subject to the accounting treatment in accordance with relevant accounting standards:

A. To recognize the assets held separately and the assets held jointly by their share;

B. To recognize the liabilities assumed separately and the liabilities assumed jointly by their share;

C. To recognize the income generated from the sale of output share of common operation enjoyed by them;

D. To recognize the income generated from the sale of output in the common operation by their share;

E. To recognize the costs incurred separately, and the costs of joint operation by their share.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Classification of Joint Arrangement and Accounting Treatment Method of Common Operation (Continued)

(2) Joint venture

A joint venture refers to a joint arrangement in which the Company is only entitled to the net assets of the arrangement.

The Company shall conduct accounting treatment on the investment in joint ventures in accordance with the provisions of the equity method accounting for long-term equity investments.

9. Recognition Standard for Cash and Cash Equivalents

Cash refers to cash on hand and deposits that are available for payment at any time. Cash equivalents refer to short-term and highly liquid investments held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

10. Foreign Currency Transactions and Foreign Currency Statement Translation

(1) Foreign currency transactions

For foreign currency transactions, the spot exchange rate on the transaction date is taken as the translation exchange rate to translate the foreign currency amount into RMB for accounting purposes.

On the balance sheet date, the balance of foreign currency monetary items is translated at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in the current profits or losses, except for the exchange differences arising from the special borrowings in foreign currency related to the purchase and construction of assets eligible for capitalization, which are handled according to the principle of capitalization of borrowing costs.

(2) Foreign currency financial statements translation

Assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. Except for "retained earnings", other items of owner's equity are converted at the spot exchange rate at the time of occurrence. The income and expense items in the income statement shall be translated at the spot exchange rate on the transaction date.

When overseas operations are disposed of, the difference in the conversion of the statements in foreign currency related to such operations shall be transferred to the current profits or losses of disposal from the item of owner's equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments

A financial instrument refers to a contract that forms a financial asset of one party and a financial liability or equity instrument of other parties.

(1) Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

If a financial asset meets one of the following conditions, it is derecognized:

① where the contractual rights for collecting the cash flow of the said financial asset are terminated;

② where the financial asset has been transferred and meets the derecognition conditions for the transfer of financial assets.

When all or part of the current obligations of a financial liability have been discharged, the financial liability or part thereof shall be derecognized. Where the Company (the debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability are substantially different from that regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize the new financial liability.

Financial assets bought and sold in a conventional manner shall be recognized and derecognized on a transaction date basis.

(2) Classification and measurement of financial assets

According to the business model for managing financial assets and the contractual cash flow features of financial assets upon initial recognition, the Company classifies financial assets as: financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets shall be measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction expenses shall be directly included in the current profits or losses; and for other types of financial assets, relevant transaction expenses shall be included in the initial recognition amount. For the receivables arising from the sale of products or the provision of labor services that do not contain or consider significant financing components, the Company shall take the amount of consideration expected to be entitled to charge as the initial recognition amount.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Financial assets at amortized cost

Financial assets that meet the following conditions simultaneously and are not designated as at fair value through profit or loss shall be classified as financial assets at amortized cost:

- The business model of the Company to manage the financial asset is to collect contractual cash flows;

- The contractual terms of the financial asset stipulate that the cash flows generated on a specific date are only the payment of principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets shall be measured at amortized cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortized cost but not part of any hedging relationship shall be included in the current profits or losses when they are derecognized, amortized using the effective interest method, or impaired.

Financial assets at fair value through other comprehensive income

Financial assets that meet the following conditions simultaneously and are not designated as at fair value through profit or loss shall be classified as financial assets at fair value through other comprehensive income:

- The business model of the Company to manage the financial asset is to both collect contractual cash flows and sell the financial asset;

- The contractual terms of the financial asset stipulate that the cash flows generated on a specific date are only the payment of principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets shall be subsequently measured at fair value. Interest, impairment losses or gains and exchange gains and losses calculated using the effective interest method shall be included in the current profits or losses, while other gains or losses shall be recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in the current profits or losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Financial assets at fair value through profit or loss

Except for the above-mentioned financial assets at amortized cost and at fair value through other comprehensive income, the Company classifies others as financial assets at fair value through profit or loss. Upon initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate some financial assets that should be at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, the fair value shall be adopted for subsequent measurement of such financial assets, and the resulting gains or losses (including interest and dividend income) shall be included in the current profits or losses, unless such financial assets are part of the hedging relationship.

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flows. The business model determines whether the source of cash flows from the financial assets managed by the Company is to collect contractual cash flows, sell financial assets or both. The Company determines the business model for managing financial assets on the basis of objective facts and specific business objectives for managing financial assets as determined by key management personnel.

The Company shall evaluate the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows arising from relevant financial assets on a particular date are solely payments of principal and interest based on the outstanding principal amount. Among them, principal refers to the fair value of financial assets at the time of initial recognition; and interest includes consideration for the time value of money, credit risk associated with outstanding principal amount in a specific period, and other underlying lending risks, costs and profits. In addition, the Company shall evaluate the contract terms that may cause changes in the time distribution or amount of contractual cash flows of financial assets to determine whether they meet the requirements of the above-mentioned contractual cash flow characteristics.

Only when the Company changes its business model for managing financial assets, all affected related financial assets shall be reclassified on the first day of the first Reporting Period after the change of business model, otherwise such financial assets shall not be reclassified after initial recognition.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(3) Classification and measurement of financial liabilities

Upon initial recognition, financial liabilities shall be classified as: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. For financial liabilities not at fair value through profit or loss, relevant transaction expenses shall be included in the initial recognition amount.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities designated as at fair value through profit or loss upon initial recognition. With regard to such financial liabilities, they shall be subsequently measured at fair value, and gains or losses resulting from the changes in fair value and dividends and interest expenses related to financial liabilities shall be included in the current profits or losses.

Financial liabilities at amortized cost

Other financial liabilities shall be subsequently measured at amortized cost using the effective interest method, and gains or losses arising from derecognition or amortization shall be included in the current profits or losses.

Distinguishing between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

① The contractual obligations to deliver cash or other financial assets to any other entity.

② The contractual obligations to exchange with other entity financial assets or financial liabilities under potentially unfavorable conditions.

③ The contractual obligations to non-derivative instruments which must be settled or may be settled by an enterprise with its own equity instruments in the future, whereby an enterprise will deliver an unfixed amount of equity instruments of its own according to the said contract.

④ The contractual obligations to derivative instruments which must be settled or may be settled by an enterprise with its own equity instruments in the future, excluding the contractual obligations to the derivative instruments for which an enterprise will exchange for a fixed amount of its own equity instruments with a fixed amount of cash or any other financial assets.

Equity instruments refer to contracts that can prove the remaining equities in an enterprise's assets after deducting all liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(3) Classification and measurement of financial liabilities (Continued)

Distinguishing between financial liabilities and equity instruments (Continued)

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument needs to be settled by or can be settled by the Company's own equity instrument, it is necessary to consider whether the Company's own equity instrument used to settle the instrument is used as a substitute for cash or other financial assets, or to enable the holder of the instrument to enjoy the residual equity in the assets of the issuer after deducting all liabilities. If it is the former, the instrument shall be the financial liability of the Company; and if it is the latter, the instrument shall be the equity instrument of the Company.

(4) Derivative financial instruments and embedded derivatives

The Company's derivative financial instruments include currency swap contracts and others. They shall be initially measured at fair value on the date when a derivative transaction contract is concluded, and then subsequently measured at fair value. A derivative financial instrument with a positive fair value shall be recognized as an asset and with a negative fair value shall be considered a liability. Any gains or losses arising from changes in fair value that do not conform to the hedging accounting regulations shall be directly recorded into the current profits or losses.

For a hybrid instrument containing embedded derivatives, if the master contract is about financial assets, the relevant provisions on the classification of financial assets shall apply to the hybrid instrument as a whole. If the master contract is not about financial assets and the hybrid instrument is not accounted for at fair value through profit or loss, the embedded derivative does not have a close relationship with the master contract in terms of economic characteristics and risks and has the same conditions with an embedded derivative, and the instrument that exists separately conforms to the definition of the derivative, the embedded derivative shall be split from the hybrid derivative and treated as a separate derivative financial instrument. If it is impossible to measure the embedded derivatives separately at the time of acquisition or on subsequent balance sheet dates, the hybrid instrument shall be designated as a financial asset or financial liability at fair value through profit or loss as a whole.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(5) Fair value of financial instruments

The determination method of fair value of financial assets and financial liabilities:

Fair value refers to the price that a market participant receives from selling an asset or pays for transferring a liability in an orderly transaction on the measurement date.

The Company shall measure related assets or liabilities at fair value, assuming that orderly transactions of selling assets or transferring liabilities are carried out in the main markets of such assets or liabilities; and where there is no major market, the Company shall assume that the transaction is conducted in the most favorable market for the underlying assets or liabilities. The main market (or the most favorable market) refers to the trading market that the Company can enter on the measurement date. The Company shall adopt the assumptions used by market participants in pricing the assets or liabilities to maximize their economic benefits.

For financial assets or financial liabilities with active markets, the Company shall adopt a quotation in an active market to determine their fair values. If there is no active market for financial instruments, the Company shall adopt valuation techniques to determine fair value.

When non-financial assets are measured at fair value, the ability of market participants to use the assets for the best use to generate economic benefits or to sell the assets to other market participants who can use the assets for the best use to generate economic benefits shall be considered.

The Company shall adopt valuation techniques that are applicable in the current situations and supported by sufficient available data and other information, give priority to relevant observable inputs, and only apply unobservable inputs when it is impossible or impractical to obtain observable inputs.

Assets and liabilities that are measured or disclosed at fair value in the financial statements shall be determined a fair value hierarchy to which they belong based on the lowest level input that is significant to fair value measurement as a whole, wherein the input value of the first level is the unadjusted quotation of the same asset or liability that can be obtained in the active market on the measurement date, the input value of the second level is the input value that is directly or indirectly observable for related assets or liabilities except the input value of the first level, and the input value of the third level is the unobservable input value of related assets or liabilities.

On each balance sheet date, the Company shall reevaluate the assets and liabilities recognized in the financial statements that are continuously measured at fair value to determine whether there is a conversion between fair value measurement levels.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(6) Impairment of financial assets

Based on the expected credit loss, the Company shall conduct impairment accounting treatment for the following items and recognize the loss reserve:

- Financial assets at amortized cost;
- Receivables and investments in debt instruments at fair value through other comprehensive income;
- Contract assets as defined in the Accounting Standards for Business Enterprises No.14 — Revenue;
- Lease receivables;
- Financial guarantee contracts (at fair value through profit or loss, except for those arising from the transfer of financial assets that do not meet the criteria for derecognition or from continued involvement in transferred financial assets).

Measurement of expected credit losses

By considering reasonable and well-founded information about past events, current situations and forecasts of future economic situations, taking the risk of default as the weight, calculating the probability weighted amount of the present value of the difference between the cash flows receivable and the cash flows expected to be received under the contract, the Company shall recognize the expected credit losses.

For receivables and contract assets formed by the transactions regulated by the Accounting Standards for Business Enterprises No.14 — Revenue, regardless of whether they contain significant financing components, the Company shall always measure the loss reserves at an amount equivalent to the expected credit loss in the entire duration.

For lease receivables arising from transactions governed by the Accounting Standards for Business Enterprises No.21 — Lease, the Company shall always measure the loss reserves at an amount equivalent to the expected credit loss in the entire duration.

For other financial instruments, the Company shall assess the changes in the credit risks of related financial instruments since the initial recognition on each balance sheet date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of expected credit losses (Continued)

By comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date, the Company shall determine the relative changes of default risk during the expected duration of financial instruments, so as to assess whether the credit risk of financial instruments has increased significantly since the initial recognition. Normally, when it is overdue for more than 30 days, the Company shall consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence indicating that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the credit risk of a financial instrument is low on the balance sheet date, the Company shall consider that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the credit risks of financial instruments have increased significantly since the initial recognition, the Company shall measure the loss reserves according to the amount equivalent to the expected credit losses on such financial instruments in the entire duration; and if the credit risks of financial instruments have not increased significantly since the initial recognition, the Company shall measure the loss reserves according to the amount equivalent to the expected credit losses on such financial instruments in the next 12 months. The increase or reversal amount of loss reserves resulting therefrom shall be included in the current profits or losses as impairment losses or gains. For a financial asset (debt instrument) at fair value through other comprehensive income, the Company shall recognize its loss reserves in other comprehensive income, and include impairment losses or gains in the current profits or losses without reducing carrying value of the financial asset listed in the balance sheet.

If there is objective evidence indicating that a specific receivable has incurred a credit impairment, the Company shall make a provision for impairment on an individual basis for such receivable.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of expected credit losses (Continued)

Except for the aforementioned receivables for which the provisions for bad debts are made on an individual basis, the Company shall classify their remaining financial instruments into several combinations based on their credit risk characteristics and determine the expected credit losses on a combination basis. The combination categories and determination criteria for making provisions for expected credit losses by the Company for notes receivable, accounts receivable, receivables financing, other receivables, contract assets, long-term receivables, etc., are as follows:

Item	Combination Category	Determination Criteria
Notes receivable	Commercial acceptance bills and bank acceptance bills	Fund Nature
Accounts receivable	Aging combination and related parties within the scope of consolidation	Aging
Other receivables	Deposits, margins and intercourse funds	Fund Nature

At any time when the Company no longer reasonably expects that the contractual cash flow of a financial asset can be recovered in whole or in part, the carrying balance of the financial asset shall be directly written down.

(7) Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to another party (the transferee) other than the issuer of the financial assets.

If almost all risks and rewards on the ownership of the financial asset have been transferred to the transferor, the financial asset shall be derecognized; and if almost all risks and rewards on the ownership of the financial asset are retained, the financial asset shall not be derecognized.

Where the Company has neither transferred nor retained nearly all risks and rewards on the ownership of a financial asset, it shall be treated as follows: if it has given up control over the financial asset, it shall derecognize the financial asset and recognize the generated assets and liabilities; and if the control over the financial asset has not been relinquished, the relevant financial asset shall be recognized based on its continued involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(8) Offsetting of financial assets and financial liabilities

When the Company has the statutory right to offset the recognized financial assets and financial liabilities, and the legal rights can be enforced currently, while the Company plans to settle the financial assets on a net basis or simultaneously realize the financial assets and pay off the financial liabilities, the financial assets and financial liabilities are presented in the balance sheet at the offsetting amounts. Apart from this, financial assets and financial liabilities are presented separately in the balance sheet and do not offset.

12. Notes Receivable

Portfolio categories and determination bases for bad debt provisions based on credit risk characteristics portfolio

Refer to Note V.11 Financial Instruments for details.

Ageing calculation method for credit risk characteristics portfolio based on ageing

Refer to Note V.11 Financial Instruments for details.

Criteria for individual impairment assessment of bad debt provisions

Refer to Note V.11 Financial Instruments for details.

13. Accounts Receivable

Portfolio categories and determination bases for bad debt provisions based on credit risk characteristics portfolio

Refer to Note V.11 Financial Instruments for details.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Accounts Receivable (Continued)

Ageing calculation method for credit risk characteristics portfolio based on ageing

Refer to Note V.11 Financial Instruments for details.

Criteria for individual impairment assessment of bad debt provisions

Refer to Note V.11 Financial Instruments for details.

14. Receivables Financing

Portfolio categories and determination bases for bad debt provisions based on credit risk characteristics portfolio

Refer to Note V.11 Financial Instruments for details.

Ageing calculation method for credit risk characteristics portfolio based on ageing

Refer to Note V.11 Financial Instruments for details.

Criteria for individual impairment assessment of bad debt provisions

Refer to Note V.11 Financial Instruments for details.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Other Receivables

Portfolio categories and determination bases for bad debt provisions based on credit risk characteristics portfolio

Refer to Note V.11 Financial Instruments for details.

Ageing calculation method for credit risk characteristics portfolio based on ageing

Refer to Note V.11 Financial Instruments for details.

Criteria for individual impairment assessment of bad debt provisions

Refer to Note V.11 Financial Instruments for details.

16. Inventories

Classification of inventories, valuation method for issued inventories, inventory system, and amortization method of low-value consumables and packaging materials

Inventories of the Company are classified into raw materials, in-process products, materials consigned for processing, goods in stock, and goods shipped, etc.

Inventories of the Company are valued at actual cost upon acquisition. Inventories are valued using the first-in-first-out (FIFO) method when issued.

The inventory system of the Company shall be the perpetual inventory system.

The Company shall adopt the one-time write-off method for low-value consumables and packaging materials.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Inventories (Continued)

Determination criteria and accrual method of inventory depreciation reserves

On the balance sheet date, inventories shall be measured at the lower of cost and net realizable value. When the net realizable value is lower than the cost, the inventory depreciation reserves shall be made.

The net realizable value of inventories is the amount with the estimated selling price of inventories minus the estimated cost to be incurred upon completion, the estimated selling expenses and related taxes and fees.

For finished products, goods in stock, materials for sales and other goods inventories directly for sales, the net realizable value shall be determined with the estimated selling price minus the estimated selling expenses and relevant taxes and fees in the normal process of production and operation; and for inventories that need to be processed, the net realizable value shall be determined in the normal production and operation process with the estimated selling price of the finished products produced minus the estimated cost to be incurred when completion, the estimated selling expenses and relevant taxes and fees. The net realizable value of the inventories held for the execution of sales contracts or labor contracts shall be calculated on the basis of contract price. And if the quantity of inventories held exceeds the ordered quantity in the sales contract, the net realizable value of excess inventories shall be calculated on the basis of general sales price.

On the balance sheet date, if the factors affecting the previous write-down of inventory value have disappeared, the inventory depreciation reserves shall be reversed within the original accrued amount.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Contract Assets

□Applicable √Not Applicable

18. Non-current Assets or Disposal Groups Held for Sale

□Applicable √Not Applicable

19. Long-term Equity Investments

Long-term equity investments include equity investments in subsidiaries, joint ventures, and associates. An investee on which the Company can exert significant influence is an associate of the Company.

(1) *Determination of initial investment cost*

Long-term equity investments formed through a business combination: For long-term equity investments acquired through a business combination under common control, the investment cost shall be determined based on the carrying value share of the combined party's owners' equity in the consolidated financial statements of the ultimate controlling party on the combination date. For long-term equity investments acquired through a business combination not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired through other means: For long-term equity investments acquired by paying cash, the initial investment cost shall be the actual purchase price paid. For long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the issued equity securities.

(2) *Subsequent measurement and recognition method for profits or losses*

Investments in subsidiaries shall be accounted for under the cost method, unless the investments meet the criteria for held-for-sale; and investments in associates and joint ventures shall be accounted for under the equity method.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term Equity Investments (Continued)

(2) Subsequent measurement and recognition method for profits or losses (Continued)

For long-term equity investments accounted for under the cost method, except for cash dividends or profits declared but not yet paid that are included in the actual purchase price or consideration paid upon acquisition, cash dividends or profits declared by the investee shall be recognized as investment income and included in the current profits or losses.

For long-term equity investments accounted for under the equity method, if the initial investment cost is greater than the fair value share of the investee's identifiable net assets at the time of investment, the investment cost of the long-term equity investment shall not be adjusted. But, if the initial investment cost is less than the fair value share of the investee's identifiable net assets at the time of investment, the carrying value of the long-term equity investment shall be adjusted, and the difference shall be included in the current profits or losses.

When the equity method is used for accounting, the investment income and other comprehensive income shall be respectively recognized according to the share of net profits or losses and other comprehensive income as realized by the investee that should be enjoyed or shared, and the carrying value of long-term equity investment shall be adjusted simultaneously; the carrying value of long-term equity investment shall be reduced correspondingly according to the portion of the profits or cash dividends as declared and distributed by the investee that should be enjoyed upon calculation; and the carrying value of long-term equity investment shall be adjusted and recorded in the capital reserve (other capital reserve) for other changes in the owners' equity of the investee except for net profits or losses, other comprehensive income and profit distribution.

When the share of the investee's net profits or losses that should be enjoyed is recognized, based on the fair value of various identifiable assets of the investee at the time of acquiring the investment while with reference to the accounting policies and accounting period of the Company, the net profits of the investee shall be recognized after adjustment.

If, due to additional investments or other reasons, significant influence or joint control can be exerted over the investee without constituting control, then on the conversion date, the sum of the fair value of the original equity interest and the cost of the new investments shall be taken as the initial investment cost for accounting under the equity method. If the original equity interest is classified as a non-transactional equity instrument investment at fair value through other comprehensive income, the accumulated fair value changes originally recorded in other comprehensive income related to it shall be transferred to retained earnings upon conversion to equity method accounting.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term Equity Investments (Continued)

(2) Subsequent measurement and recognition method for profits or losses (Continued)

If joint control or significant influence over the investee is lost due to the disposal of a portion of the equity investment, the remaining equity interest after disposal shall be accounted for in accordance with the Accounting Standards for Business Enterprises No.22 — Recognition and Measurement of Financial Instruments on the date of losing joint control or significant influence, with the difference between fair value and carrying value included in the current profits or losses. Other comprehensive income recognized from the original equity investment due to accounting under the equity method shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee upon termination of the equity method; and other changes in owners' equity related to the original equity investment shall be transferred to the current profits or losses.

If control over the investee is lost due to the disposal of a portion of the equity investment, and the remaining equity interest after disposal enables joint control or significant influence over the investee, it shall be accounted for under the equity method, and adjustments shall be made to such remaining equity interest as if the equity method had been applied since acquisition; if the remaining equity interest after disposal does not enable joint control or significant influence over the investee, it shall be accounted for in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No.22 — Recognition and Measurement of Financial Instruments, with the difference between fair value and carrying value on the date of losing control included in the current profits or losses.

Where the shareholding ratio of the Company decreases due to the increase in capital by other investors, thus losing control but exercising joint control over or exerting significant influence on the investee, then according to the new shareholding ratio, the Company's share of the net assets increased by the investee due to capital increase and share expansion shall be recognized, and the difference between the original carrying value of the long-term equity investment corresponding to the decreased shareholding ratio that should be carried forward shall be included in the current profits or losses; and then according to the new shareholding ratio, it shall be regarded as adjusted by the equity method when the investment is acquired.

The portion of unrealized internal transaction gains or losses between the Company and its associates and joint ventures that is attributable to the Company and calculated based on its shareholding ratio, shall be recognized as investment gains or losses on a net-of-offset basis. However, if the unrealized losses from internal transactions between the Company and the investee fall into impairment losses of the transferred assets, they will not be offset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term Equity Investments (Continued)

(3) Basis for determining joint control over and significant influence on the investee

Joint control means the common control over an arrangement according to relevant agreements, and the activities relating to the arrangement must be decided after consensus of the participants sharing control. When determining whether joint control exists, the first step is to assess whether the arrangement is collectively controlled by all participating parties or a combination of participating parties, followed by evaluating whether decisions regarding relevant activities of the arrangement require unanimous consent from those participating parties that collectively control the arrangement. If all participating parties or a specific group of participating parties must act in unison to decide on the relevant activities of an arrangement, it is deemed that all participating parties or that group of participating parties collectively control the arrangement. However, if there are two or more combinations of participating parties capable of collectively controlling the arrangement, this does not constitute joint control. When judging whether there is a joint control, the protective rights enjoyed are not considered.

Significant influence refers to the power of the investor to participate in decision-making on the financial and operational decisions of the investee, but it cannot control or jointly control the formulation of these policies with other parties. In determining whether significant influence can be exercised over an investee, the investor's direct or indirect holding of voting shares in the investee and the effect of current exercisable potential voting rights held by the investor and others upon their assumed conversion into equity interests in the investee's units shall be considered, including the effect of current convertible warrants, share options and convertible corporate bonds issued by the investee.

When the Company directly or indirectly (through its subsidiaries) holds 20% or more (but less than 50%) of the voting shares of an investee, it is generally considered to have significant influence over the investee unless there is clear evidence indicating that, under such circumstances, it cannot participate in the production and operational decision-making of the investe and thus does not exert significant influence. When the Company holds less than 20% of the voting shares of an investee, it is generally not considered to have significant influence over the investee unless there is clear evidence indicating that, under such circumstances, it can participate in the production and operational decision-making of the investee and thereby exerts significant influence.

(4) Impairment test method and accrual method for provision for impairment

For the investments in subsidiaries, associates and joint ventures, the method of accruing asset impairment is as seen in Note V.28.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Investment Properties

☐Applicable √Not applicable

21. Fixed Assets

(1) Recognition criteria

The fixed assets of the Company refer to tangible assets that are held for the production of goods, provision of labor services, leases or business management, with a service life no less than one accounting year.

A fixed asset shall be recognised when it is probable that the economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably.

The fixed assets of the Company shall be initially measured at actual cost at the time of acquisition.

Subsequent expenditures related to fixed assets shall be included in the cost of fixed assets when it is probable that the associated economic benefits will flow into the Company and the cost can be reliably measured. Daily repair expenses for fixed assets that do not meet the criteria for capitalization of subsequent expenditures on fixed assets shall, when incurred, be included in the current profits or losses based on the beneficiary or included in the cost of related assets. For the replaced portions, their carrying values are derecognized.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Fixed Assets (Continued)

(2) *Depreciation method*

Category	Depreciation Method	Service Life (Year)	Residual Value	Annual Depreciation Rate
Houses and buildings	Straight-line method	20	0.00%	5.00%
Machinery and equipment	Straight-line method	10	0.00%	10.00%
Production equipment	Straight-line method	5	0.00%	20.00%
Instruments and meters	Straight-line method	5	0.00%	20.00%
Office equipment	Straight-line method	5	0.00%–10.00%	18.00%–20.00%
Electronic equipment	Straight-line method	3	0.00%–10.00%	30.00%–33.33%
Transportation equipment	Straight-line method	4	0.00%–10.00%	22.5%–25.00%

Among them, for fixed assets for which impairment provisions have been made, the accumulated amount of impairment provisions already recognised shall be deducted when calculating and determining the depreciation rate.

(3) The methods for impairment test and accrual for impairment reserves of fixed assets are as seen in Note V.28.

(4) The Company shall review the service life, estimated net residual value and depreciation method of fixed assets at the end of each year.

If the estimated service life is different from the original estimate, the service life of fixed assets shall be adjusted; and if the estimated net residual value is different from the original estimate, the estimated net residual value shall be adjusted.

(5) *Disposal of fixed assets*

When a fixed asset is disposed of or is not expected to generate economic benefits through use or disposal, the fixed asset shall be derecognized. The difference in the disposal income from the sale, transfer, scrapping or damage of fixed assets after being deducted the carrying value and relevant taxes and fees shall be included in the current profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Construction in Progress

The cost of construction in progress of the Company shall be determined based on the actual engineering expenditure, including all necessary engineering expenses incurred during construction, the borrowing costs to be capitalized before the project reaches the intended usable state, and other related expenses.

Construction in progress shall be transferred to fixed assets when it is ready for its intended use.

The methods for accrual for asset impairment of construction in progress are as seen in Note V.28.

23. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the cost of related assets. Other borrowing costs shall be recognised as expenses in the period in which they are incurred and charged to profit or loss for the current period. Capitalisation of borrowing costs shall commence when all of the following conditions are met:

① The expenditure on assets has been incurred, which includes the expenditure incurred in the form of cash payments, transfer of non-cash assets or assumption of interest-bearing debt for acquisition, construction or production of the assets eligible for capitalization;

② The borrowing costs have already incurred;

③ The acquisition, construction and production activities which are necessary to prepare the asset for its intended use or sales have already started.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Borrowing Costs (Continued)

(2) Capitalization period of borrowing costs

When the assets acquired, constructed, or produced by the Company that is eligible for capitalization reach their intended usable or marketable state, the capitalization of borrowing costs shall be ceased. The borrowing costs incurred after the assets eligible for capitalization are ready for their intended use or for sale shall be recognized as expenses at the time of occurrence, based on the amount incurred, and charged to the current profits or losses.

Where the acquisition and construction or production of the assets eligible for capitalization is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended; but the borrowing costs incurred during the normal interruption period will continue to be capitalized.

(3) Calculation method of capitalization rate and capitalized amount of borrowing costs

For specific borrowings, the amount to be capitalised is determined as the actual interest expenses incurred during the current period, less any interest income earned from depositing the unused borrowing funds in banks or any investment income from temporary investments made with such unused funds. For general borrowings, the amount to be capitalised is determined by multiplying the weighted average of the excess of cumulative asset expenditures over the amount of specific borrowings by the capitalisation rate applicable to the general borrowings. The capitalisation rate is determined based on the weighted average interest rate of the general borrowings.

During the capitalisation period, all exchange differences arising from specific foreign currency borrowings shall be capitalised; exchange differences arising from general foreign currency borrowings shall be recognised in profit or loss for the current period.

24. Biological Assets

□Applicable √Not applicable

25. Oil and Gas Assets

□Applicable √Not applicable

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Intangible Assets

(1) The useful life of intangible assets, its basis for determination, estimated circumstances, amortisation method and review procedures

Intangible assets of the Company include land use rights, software, intangible assets formed through capitalization during internal research and development, patent licensing rights, etc.

Intangible assets are initially measured at cost. Upon acquisition, the useful life of the intangible asset is assessed and determined. For intangible assets with finite useful lives, amortisation is calculated using a method that reflects the expected pattern of consumption of the economic benefits embodied in the asset, commencing from the date when the asset is available for use, over its estimated useful life. If the expected pattern of consumption cannot be reliably determined, the straight-line method is adopted. Intangible assets with indefinite useful lives are not amortised.

The amortisation methods for intangible assets with finite useful lives are as follows:

Category	Useful Life	Determination Criteria for Useful Life	Amortization Method
Land use rights	50 year	Term specified on land certificate	Straight-line method
Software	10 year	Expected benefit period	Straight-line method
Intangible assets capitalized during internal development	5 year	Expected benefit period	Straight-line method
Patent license right	6.75 year	Contractually agreed term	Straight-line method

At the end of each year, the Company reviews the useful lives and amortisation methods of intangible assets with finite useful lives. If the review results differ from previous estimates, the original estimates are adjusted accordingly and treated as a change in accounting estimate.

If, at the balance sheet date, it is estimated that an intangible asset is no longer capable of generating future economic benefits for the enterprise, the entire carrying amount of that intangible asset shall be transferred to profit or loss for the current period.

The methods for accrual for asset impairment of intangible assets are as seen in Note V.28.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Intangible Assets (Continued)

(2) Scope of research and development expenditure and related accounting policies

The Company's research and development expenditures are expenses directly related to R&D activities, including employee compensation for R&D personnel, materials consumed, and related depreciation and amortisation expenses. The Company accounts for R&D expenses by individual R&D projects and aggregates various expenditures accordingly.

The Company classifies expenditures on internal research and development projects into research phase expenditures and development phase expenditures.

Expenditures in the research phase are recognised in profit or loss for the current period when incurred.

Expenditures in the development phase shall be capitalised only when all of the following conditions are met: it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Company has the intention to complete the intangible asset and to use or sell it; the manner in which the intangible asset will generate economic benefits can be demonstrated, including evidence that there is a market for the products produced using the intangible asset or for the intangible asset itself, or, if it is to be used internally, its usefulness can be demonstrated; there are sufficient technical, financial and other resources to complete the development and to use or sell the intangible asset; the expenditure attributable to the development phase of the intangible asset can be measured reliably. Development expenditures that do not satisfy the above conditions are recognised as expenses in profit or loss.

The Company's R&D projects enter the development phase when the above conditions are satisfied, and the project is formally established following feasibility studies on technical and economic viability.

Capitalised expenditures in the development phase are presented in the balance sheet as development costs, and are transferred to intangible assets when the relevant project reaches its intended usable condition.

27. Scope of and Related Accounting Treatment for Research and Development Expenditure

The research and development expenditures of the Company consist of costs directly related to its research and development activities, including compensation for research and development personnel, consumed materials, and relevant depreciation and amortization expenses. The Company shall account for research and development expenses on a project-by-project basis, and aggregate all related expenditures.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Scope of and Related Accounting Treatment for Research and Development Expenditure (Continued)

The Company divides the expenditures of internal research and development projects into expenditures in the research stage and expenditures in the development stage.

Expenditures in the research stage shall be included in the current profits or losses when incurred.

Expenditures in the development stage can be capitalized when meeting the following conditions simultaneously: It is technically feasible to finish intangible assets for use or sale; it is intended to finish and use or sell the intangible assets; the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and the development expenditures of the intangible assets can be reliably measured. Development expenditures not meeting the above conditions shall be included in the current profits or losses.

Research and development projects of the Company shall enter the development stage when meeting the above conditions, passing technical feasibility and economic feasibility study, and being established.

The capitalized expenditures at the development stage shall be listed as development expenditures on the balance sheet, and converted into intangible assets from the date when they reach the intended usable state.

28. Impairment of Long-term Asset

Asset impairment for long-term equity investments in subsidiaries, associates and joint ventures, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, etc. (excluding inventories, deferred tax assets and financial assets) is determined as follows:

At the balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and performs an impairment test. Goodwill arising from business combinations, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment annually, regardless of whether there is any indication of impairment.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Impairment of Long-term Asset (Continued)

The recoverable amount is determined as the higher of the fair value of the asset less costs of disposal and the present value of the estimated future cash flows expected to be derived from the asset. The Company estimates the recoverable amount on an individual asset basis; where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount is determined on the basis of the cash-generating unit to which the asset belongs. The identification of a cash-generating unit is based on whether the cash inflows generated by the cash-generating unit are largely independent of the cash inflows from other assets or cash-generating units.

When the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the Company reduces the carrying amount to the recoverable amount, recognises the reduction as an impairment loss in profit or loss for the current period, and simultaneously recognises a corresponding impairment provision.

For the purpose of goodwill impairment testing, the carrying amount of goodwill arising from a business combination is, from the acquisition date, allocated on a reasonable basis to the relevant cash-generating units; if it is impracticable to allocate it to individual cash-generating units, it is allocated to the relevant groups of cash-generating units. The relevant cash-generating unit or group of cash-generating units is the one that is expected to benefit from the synergies of the business combination and is not larger than the reportable segments determined by the Company.

In the impairment test, if there is any indication of impairment in a cash-generating unit or group of cash-generating units to which goodwill is allocated, an impairment test is first performed on the cash-generating unit or group of cash-generating units excluding goodwill, and the recoverable amount is calculated to recognise the corresponding impairment loss. Then, an impairment test is performed on the cash-generating unit or group of cash-generating units including goodwill, comparing its carrying amount with its recoverable amount; if the recoverable amount is less than the carrying amount, an impairment loss on goodwill is recognised.

Once an impairment loss is recognised, it shall not be reversed in subsequent accounting periods.

29. Long-term Deferred Expenses

Long-term deferred expenses incurred by the Company are measured at actual cost and amortised on a straight-line basis over the expected period of benefit. For items of long-term deferred expenses that are not expected to benefit future accounting periods, their amortised balance is fully recognised in profit or loss for the current period.

30. Contract Liabilities

☐Applicable √Not applicable

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Employee Benefits

(1) Accounting policy for short-term employee benefits

In the accounting period in which employees provide services to the Company, the Company recognises the actual employee wages, bonuses, social insurance contributions (including medical insurance, work-related injury insurance and maternity insurance) and housing fund contributions, which are calculated based on the prescribed benchmarks and rates, as liabilities, and charges them to profit or loss for the current period or to the cost of relevant assets.

(2) Accounting policy for post-employment benefits

Post-employment benefit plans include defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions to a separate fund and will have no further obligation to pay additional contributions. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined contribution plans

The Company makes contributions to basic pension insurance and unemployment insurance for its employees in accordance with the relevant regulations of the local government. In the accounting period in which employees provide services to the Company, the Company recognises the contributions calculated based on the prescribed contribution bases and rates as liabilities, and charges them to profit or loss for the current period or to the cost of relevant assets. The Company also makes contributions to annuity plans/local social security institutions at a certain percentage of the total employee salaries, and the corresponding expenses are charged to profit or loss for the current period or to the cost of relevant assets.

Defined benefit plans

The Company attributes the benefit obligations arising from defined benefit plans to the periods in which employees provide services using the projected unit credit method, and charges them to profit or loss for the current period or to the cost of relevant assets.

The deficit or surplus resulting from the present value of the defined benefit plans obligation less the fair value of defined benefit plans assets is recognised as a net defined benefit liability or asset. Where the plan has a surplus, the Company measures the net defined benefit asset at the lower of the surplus and the asset ceiling.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Employee Benefits

(2) Accounting policy for post-employment benefits (Continued)

All defined benefit obligations, including those expected to be settled within twelve months after the end of the annual reporting period in which the employees render the related service, are discounted using the market yield at the balance sheet date on government bonds or high-quality corporate bonds in the active market that have maturity dates and currencies matching the estimated timing and currency of the benefit payments.

The service cost of defined benefit plans and the net interest on the net defined benefit liability or asset are charged to profit or loss for the current period or to the cost of relevant assets. Changes arising from remeasurements of the net defined benefit liability or asset are recognised in other comprehensive income and shall not be reclassified to profit or loss in subsequent accounting periods. Upon termination of the original defined benefit plan, the cumulative amount previously recognised in other comprehensive income shall be transferred in full to undistributed profits within equity.

When a defined benefit plan is settled, the difference between the present value of the defined benefit obligation at the settlement date and the settlement price is recognised as a settlement gain or loss.

(3) Accounting policy for termination benefits

Where the Company provides termination benefits to employees, the Company recognises a liability for employee benefits arising from termination benefits and charges it to profit or loss for the current period on the earlier of the following dates: when the Company can no longer unilaterally withdraw the termination benefits provided under a plan of termination or redundancy; or when the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

Where early retirement plans are implemented, the economic compensation provided before the formal retirement date is treated as termination benefits, and the planned payments of salaries and social insurance contributions for early retirement employees, from the date the employees cease to provide services to the normal retirement date, are recognised as expenses in profit or loss in a lump sum. Economic compensation provided after the formal retirement date (such as normal pension benefits) is accounted for as post-employment benefits.

(4) Accounting policy for other long-term employee benefits

Other long-term employee benefits provided by the Company to its employees that qualify as defined contribution plans are accounted for in accordance with the relevant provisions on defined contribution plans set out above. Those that qualify as defined benefit plans are accounted for in accordance with the relevant provisions on defined benefit plans set out above, except that the “changes arising from remeasurements of the net defined benefit liability or asset” component of the related employee benefit costs is charged to profit or loss for the current period or to the cost of relevant assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Estimated liabilities

If an obligation related to a contingency meets all of the following conditions simultaneously, the Company recognises it as estimated liabilities:

(1) the obligation is a present obligation of the Company;

(2) it is probable that an outflow of economic benefits from the Company will be required to settle the obligation;

(3) the amount of the obligation can be measured reliably.

Estimated liabilities are initially measured at the best estimate of the expenditure required to settle the present obligation, taking into account factors such as risks, uncertainties and the time value of money related to the contingency. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. At each balance sheet date, the Company reviews the carrying amount of estimated liabilities and adjusts the carrying amount to reflect the current best estimate.

Where some or all of the expenditure required to settle a recognised estimated liability is expected to be reimbursed by a third party or other party, the reimbursement is recognised as a separate asset only when it is virtually certain that the reimbursement will be received. The amount recognised for the reimbursement shall not exceed the carrying amount of the recognised estimated liability.

33. Share-based Payment

(1) Types of share-based payments

The Company's share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

(2) Determination of fair value of equity instruments

For equity instruments such as options granted with an active market, the Company determines their fair value based on the quoted market price in the active market. For equity instruments such as options granted without an active market, the Company determines their fair value using option pricing models. The option pricing models adopted take into consideration the following factors: A. the exercise price of the option; B. the term of the option; C. the current price of the underlying shares; D. the expected volatility of the share price; E. the expected dividends on the shares; F. the risk-free interest rate over the term of the option.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Share-based Payment (Continued)

(3) Basis for determining the best estimate of the number of equity instruments that will become exercisable

During the waiting period, at each balance sheet date, the Company makes the best estimate based on the latest subsequent information obtained, including changes in the number of employees expected to become eligible, and revises the estimated number of equity instruments expected to become exercisable accordingly. At the exercise date, the final number of equity instruments expected to become exercisable shall be consistent with the actual number of equity instruments that become exercisable.

(4) Relevant accounting treatment of implementation, modification and termination of share-based payment plan

The equity-settled share-based payment is measured at fair value of the equity instruments granted to the employees. If the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the grant date, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. If exercising is conditional upon completion of services in the waiting period or fulfillment of performance conditions, on each balance sheet date during the waiting period, based on the best estimate of the number of exercisable equity instruments, the services received for the period are recognized as the relevant costs or expenses and capital reserves at fair value of the equity instruments as at the date of grant. After the exercise date, relevant costs or expenses and total owners' equity have been recognized and will not be adjusted.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. If the right may be exercised immediately after the grant, the fair value of the liabilities undertaken by the Company shall, on the grant date, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If exercising is conditional upon completion of services in the waiting period or fulfillment of performance conditions, on each balance sheet date during the waiting period, based on the best estimate of the exercisable situation, the services received for the period are recognized as the costs or expenses and corresponding liabilities at fair value of the liabilities assumed by the Company. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits or losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Share-based Payment (Continued)

(4) Relevant accounting treatment of implementation, modification and termination of share-based payment plan (Continued)

When the Company modifies the share-based payment plan, if the modification increases the fair value of granted equity instruments, the increase in the acquired services shall be recognized according to the increase in the fair value of the equity instruments; and if the modification increases the number of granted equity instruments, the fair value of the increased equity instruments shall be recognized as increase in the acquired services. The increase in fair value of the equity instruments refers to the difference between the fair value of equity instruments before and after modification on the modification date. If the modification reduces the total fair value of share-based payment or adopts other methods unfavorable to the employees to modify the terms and conditions of the share-based payment plan, the accounting treatment for the acquired services will continue, and it will be deemed that the change has never occurred, unless the Company cancels some or all of the granted equity instruments.

If the granted equity instruments are canceled during the waiting period (except for cancellations due to the failure to meet non-market conditions of the exercising conditions), the Company shall treat the granted equity instruments because of cancellation as accelerated exercise, and immediately record the amount to be recognized during the remaining waiting period into the current profits or losses, and recognize capital reserve at the same time. If the employee or other party can choose to meet the non-vesting condition but fails to meet it within the waiting period, the Company shall cancel it as an equity instrument granted.

(5) Restricted stock

In an equity incentive plan, the Company will grant restricted stocks to the motivated object, and the motivated object will subscribe for the stocks first. If the unlocking conditions stipulated in the equity incentive plan are not met later, the Company may buy back the stocks at the price agreed in advance. If the restricted stocks issued to employees have gone through the registration and other capital increase procedures according to relevant regulations, then on the grant date, the Company shall recognize share capital and capital reserve (stock premium) according to the subscription amount received from employees; and in the meantime, treasury stocks and other payables shall be recognized for repurchase obligations.

34. Preferred Shares, Perpetual Bond and Other Financial Instruments

☐Applicable √Not applicable

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Revenue

Disclosure of accounting policies for revenue recognition and measurement by business type

(1) General principles

When the Company has fulfilled its performance obligation in the contract, that is, the customer obtains control over relevant goods or services, the revenue shall be recognized.

If a contract contains two or more performance obligations, the Company shall, on the contract start date, allocate the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation, and measure income at the transaction price apportioned to each individual obligation.

When one of the following conditions is satisfied, the Company shall fulfill its performance obligations within a certain period of time; otherwise, it shall fulfill its performance obligation at a certain point of time:

① The customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs.

② The customer can control the products in process during the Company's performance.

③ The goods produced by the Company during its performance have irreplaceable uses, and the Company is entitled to collect payments for accumulated performance of the contract so far during the entire contract period.

For an obligation performed within a certain period of time, the Company recognizes revenue according to the performance progress within that period of time. When the performance progress cannot be reasonably determined, if the costs already incurred by the Company are expected to be compensated, the Company shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Revenue (Continued)

Disclosure of accounting policies for revenue recognition and measurement by business type (Continued)

(1) General principles (Continued)

For an obligation performed at a point of time, the Company shall recognize revenue at the point in time at which a customer obtains control over relevant goods or services. In judging whether customers have gained control over goods or services, the Company shall consider the following signs:

① The Company has the right to collect the current payment for the goods or services, that is, the customer has the current payment obligation for the goods.

② The Company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods.

③ The Company has transferred the physical object of the goods to the customer, that is, the customer has physically possessed the goods.

④ The Company has transferred the main risks and rewards on the ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards on the ownership of the goods.

⑤ The customer has accepted the goods or services.

⑥ Other signs indicating that the customer has gained control over the goods.

(2) Specific methods

A. The revenue recognition point for non-cross-border product sales is when the products have been shipped and the customer has signed for acceptance.

B. The revenue recognition point for cross-border product sales is when the goods have been delivered to the delivery location designated by the customer, and the export customs declaration form and bill of lading returned by the customs have been obtained.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Contract Cost

Contract cost includes incremental cost incurred in obtaining the contract and contract performance cost.

Incremental cost incurred in obtaining the contract refers to the cost that the Company will not incur without obtaining the contract, such as sales commission. If the cost is expected to be recovered, the Company shall recognize it as an asset as the contract acquisition cost. Other expenses incurred by the Company for obtaining the contract, except for the incremental cost expected to be recovered, shall be included in the current profits or losses when incurred.

If the cost incurred for the performance of the contract does not fall within the scope of other accounting standards for business enterprises such as about inventories and meets the following conditions, the Company shall recognize it as an asset as the contract performance cost:

① The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), cost clearly borne by the customer and other costs incurred only due to the contract;

② The cost increases the resources used by the Company to fulfill its performance obligations in the future;

③ The cost is expected to be recovered.

The assets recognized at contract acquisition cost and the assets recognized at contract performance cost (hereinafter referred to as the "assets related to contract cost") shall be amortized using the same basis as revenue recognition for the goods or services to which the assets relate and shall be included in the current profits or losses. If the amortization period does not exceed one year, it shall be included in the current profits or losses when incurred.

When the carrying value of an asset related to contract cost is higher than the difference between the following two, the Company shall provide for impairment and recognize it as a loss on asset impairment for the excess:

① The remaining consideration that the Company is expected to obtain due to the transfer of goods or services related to the asset;

② The cost expected to be incurred for transfer of the relevant goods or services.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

37. Government Subsidies

A government subsidy can only be recognized when the Company can meet the conditions attached and can receive it.

If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at fair value; and if the fair value cannot be obtained reliably, it shall be measured at the nominal amount of RMB1.

Government subsidies pertinent to assets refer to the government subsidies that are obtained by the Company for acquiring, constructing or forming long-term assets by other ways. And all the others are government subsidies pertinent to income.

For those whose subsidy targets are not clearly specified in government documents and can form long-term assets, the government subsidies corresponding to the asset value shall be regarded as government subsidies pertinent to assets, and the remaining part shall be regarded as government subsidies pertinent to income; and if it is difficult to distinguish, such government subsidies shall be treated as government subsidies pertinent to income as a whole.

If the government subsidies pertinent to assets are recognized as deferred income, they shall be included in gains or losses in a reasonable and systematic manner within the service life of related assets. Government subsidies pertinent to income, which are used to compensate the relevant costs or losses that have occurred, shall be included in the current profits or losses; and if it is used to compensate the relevant costs or losses in future periods, it shall be included in the deferred income, and included in the current profits or losses during the period when such costs or losses are recognized. And government subsidies measured at the nominal amount shall be recognized directly in the current profits or losses. The Company shall adopt a consistent approach to handle the same or similar government subsidies.

Government subsidies pertinent to daily activities of the Company shall be included in other income according to economic nature. Government subsidies not pertinent to such daily activities shall be included in non-operating revenue.

When a recognized government subsidy needs to be refunded, if the carrying value of related assets is offset at the time of initial recognition, the carrying value of assets shall be adjusted; and if there is a balance of relevant deferred income, the carrying balance of relevant deferred income shall be offset, and the excess shall be included in the current profits or losses; and for other circumstances, it shall be directly included in the current profits or losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

38. Deferred Income Tax Assets/Deferred Income Tax Liabilities

Income tax includes current income tax and deferred income tax. Except for the adjusted goodwill arising from business combination or the deferred income tax related to the transactions or events directly included in the owners' equity is included in the owners' equity, all the others are recognized as income tax expenses and recorded in the current profits or losses.

The Company recognizes the deferred income tax using the balance sheet liability method based on the temporary difference between the carrying value of the assets and liabilities on the balance sheet date and the tax base.

All taxable temporary differences shall be recognized as deferred tax liabilities, unless they arise from the following transactions:

(1) The initial recognition of goodwill, or the initial recognition of assets or liabilities arising from transactions with the following characteristics: Such transactions are not business combinations, and at the time of transaction, they neither affect accounting profit nor taxable income (excluding individual transactions where the initially recognized assets and liabilities result in equal amounts of taxable temporary differences and deductible temporary differences);

(2) For the taxable temporary differences related to the investments in subsidiaries, joint ventures and associates, the time for the temporary differences to be reversed can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

For deductible temporary differences, deductible losses that can be carried forward to future years and tax deductions, the Company shall recognize deferred tax assets arising from them to the extent that it is likely to obtain future taxable income to offset deductible temporary differences, deductible losses and tax deductions, unless deductible temporary differences arise from the following transactions:

(1) Such transactions are not business combinations, and at the time of transaction, they neither affect accounting profit nor taxable income (excluding individual transactions where the initially recognized assets and liabilities result in equal amounts of taxable temporary differences and deductible temporary differences);

(2) The deductible temporary differences related to the investments in subsidiaries, joint ventures and associates that can meet the following at the same time shall be recognized as deferred income tax assets: the temporary differences are likely to be reversed in the foreseeable future, and it is likely that in the future, the taxable income will be used to offset the deductible temporary differences.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

38. Deferred Income Tax Assets/Deferred Income Tax Liabilities (Continued)

On the balance sheet date, the Company shall measure the deferred income tax assets and the deferred income tax liabilities at the applicable tax rates in the period in which the assets are recovered or settled, and reflect the income tax impact based on the expected manner of asset recovery or liability settlement on the balance sheet date.

On the balance sheet date, the Company shall review the carrying value of deferred income tax assets. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of deferred tax assets, the carrying value of deferred tax assets shall be written off. When it is probable that sufficient taxable income will be obtained, the write-down amount shall be reversed.

On the balance sheet date, deferred tax assets and deferred tax liabilities shall be presented as a net amount after offsetting when the following conditions are satisfied simultaneously:

(1) The tax-paying entity within the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;

(2) The deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax authority on the same tax-paying entity within the Company.

39. Lease

(1) Identification of lease

On the commencement date of a contract, the Company, as the lessee or lessor, shall evaluate whether the customers in the contract have the right to obtain almost all the economic benefits arising from the use of identified assets during the use, and have the right to dominate the use of identified assets in that period. If a party to the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or contains a lease.

(2) The Company as the lessee

On the commencement date of lease term, the Company shall recognize right-of-use assets and lease liabilities for all leases, except for short-term leases and low-value asset leases under simplified treatment.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

39. Lease (Continued)

(2) The Company as the lessee (Continued)

Lease liabilities are initially measured at the present value of the lease payments not yet paid as at the lease commencement date, as calculated using the lease embedded interest rate. If the lease embedded interest rate cannot be determined, the incremental borrowing rate shall be taken as the discount rate. Lease payments include: fixed payments and substantially fixed payments, net of the amounts related to lease incentives, if lease incentives exist; variable lease payments that depend on an index or rate; the exercise price of a purchase option, provided that the lessee reasonably determines that the option will be exercised; the amount to be paid to exercise the lease termination option, provided that the lease term reflects that the lessee will exercise the lease termination option; and the amount expected to be paid based on the residual value of the guarantee provided by the lessee. Subsequently, the Company shall calculate the interest expenses of the lease liability in each period of the lease term according to the fixed periodic interest rate, which is then included in the current profits or losses. Variable lease payments that are not included in the measurement of lease liabilities shall be included in the current profits or losses when actually incurred.

Judgment basis and accounting treatment of short-term leases and low-value asset leases as a simplified treatment for lessees

Short-term lease

Short-term lease refers to a lease with a lease term not exceeding 12 months from the commencement date of lease term, except for the lease with a purchase option.

The Company shall record the lease payments for short-term lease into the cost of related assets or the current profits or losses on a straight-line basis for each period during the lease term.

For short-term lease, the Company shall elect to adopt the aforementioned simplified treatment method to these items meeting the criteria for short-term lease, as categorized by the type of leased assets.

- Houses and buildings

Low-value asset lease

Low-value asset lease refers to a lease whose value is less than RMB40,000 when a single leased asset is brand new.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

39. Lease (Continued)

(2) The Company as the lessee (Continued)

Judgment basis and accounting treatment of short-term leases and low-value asset leases as a simplified treatment for lessees (Continued)

Low-value asset lease (Continued)

The Company shall record the lease payments for low-value asset lease into the cost of related assets or the current profits or losses on a straight-line basis for each period during the lease term.

For low-value asset lease, the Company shall elect to adopt the aforementioned simplified treatment method based on the specific conditions of each lease.

Lease Modification

If a lease modification occurs and both of the following conditions are met, the Company accounts for the lease modification as a separate lease: ①the lease modification expands the scope of the lease by adding the right to use one or more leased assets; ②the increase in consideration is commensurate with the stand-alone price for the expansion in lease scope adjusted to reflect the circumstances of the contract.

If a lease modification is not accounted for as a separate lease, at the effective date of the lease modification the Company reallocates the consideration in the modified contract, redetermines the lease term and remeasures the lease liability at the present value of the modified lease payments discounted using the revised discount rate.

If a lease modification reduces the scope of the lease or shortens the lease term, the Company reduces the carrying amount of the right-of-use asset accordingly and recognises the profit or loss relating to the partial or full termination of the lease in profit or loss for the current period.

For other lease modifications that result in the remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use asset accordingly.

Classification standards and accounting treatment for leases as a lessor

When the Company acts as a lessor, a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset is recognizes as a finance lease. Leases other than finance leases are recognizes as operating leases.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

39. Lease (Continued)

(2) The Company as the lessee (Continued)

Classification standards and accounting treatment for leases as a lessor (Continued)

1. Finance leases

For a finance lease, at the commencement date, the Company recognises the net investment in the lease as the initial carrying amount of the finance lease receivable. The net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease payments not yet received at the commencement date, discounted using the interest rate implicit in the lease. The Company, as lessor, calculates and recognises interest income over the lease term at a constant periodic rate of return on the net investment. Variable lease payments received by the Company as lessor that are not included in the measurement of the net investment in the lease are recognised in profit or loss when they are incurred.

Derecognition and impairment of finance lease receivables are accounted for in accordance with Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets.

2. Operating leases

For operating leases, the Company recognises lease income on a straight-line basis over the lease term. Initial direct costs incurred in connection with an operating lease shall be capitalised, amortised over the lease term on the same basis as the lease income is recognised, and recognised in profit or loss on a period-by-period basis.

Variable lease payments received in relation to an operating lease that are not included in lease payments are recognised in profit or loss when they are incurred.

3. Lease modification

If an operating lease is modified, the Company accounts for the modification as a new lease from the effective date of the modification, and any prepaid or accrued lease payments relating to the original lease are regarded as lease payments for the new lease.

If a finance lease is modified and both of the following conditions are met, the Company accounts for the modification as a separate lease: ① the modification expands the scope of the lease by adding the right to use one or more underlying assets;② the increase in consideration is commensurate with the stand-alone price for the expansion in scope adjusted to reflect the circumstances of the contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

39. Lease (Continued)

(2) The Company as the lessee (Continued)

Classification standards and accounting treatment for leases as a lessor (Continued)

3. Lease modification (Continued)

If a finance lease is modified and the modification is not accounted for as a separate lease, the Company accounts for the modified lease under the following circumstances: ① if the modified lease would have been classified as an operating lease had the modification been in effect at the commencement date, the Company accounts for the modified lease as a new lease from the effective date of the modification, and measures the underlying asset at the net investment in the lease immediately before the effective date of the modification; ② if the modified lease would have been classified as a finance lease had the modification been in effect at the commencement date, the Company accounts for the modified lease in accordance with the requirements of Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments regarding the modification or renegotiation of a contract.

4. Subleases

When the Company acts as an intermediate lessor, it classifies the sublease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease and the Company applies the simplified approach to the head lease, the sublease is classified as an operating lease.

5. Sale and leaseback

The lessee and the lessor assess and determine whether the transfer of an asset in a sale and leaseback transaction qualifies as a sale in accordance with Accounting Standards for Business Enterprises No. 14 — Revenue.

If the transfer of the asset in a sale and leaseback transaction qualifies as a sale, the lessee measures the right-of-use asset arising from the sale and leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained, and recognises only the gain or loss related to the rights transferred to the lessor. The lessor accounts for the purchase of the asset in accordance with other applicable accounting standards, and accounts for the lease of the asset in accordance with this Standard.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

39. Lease (Continued)

(2) The Company as the lessee (Continued)

Classification standards and accounting treatment for leases as a lessor (Continued)

5. Sale and leaseback (Continued)

If the transfer of the asset in a sale and leaseback transaction does not qualify as a sale, the lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds, and accounts for the financial liability in accordance with Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments. The lessor does not recognise the transferred asset but recognises a financial asset equal to the transfer proceeds, and accounts for the financial asset in accordance with Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments.

40. Other significant accounting policies and accounting estimates

□Applicable √Not applicable

41. Changes in significant accounting policies and accounting estimates

□Applicable √Not applicable

42. Others

□Applicable √Not applicable

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

IV. TAXES

1. Major tax types and tax rates

Major tax types and tax rates

Tax Category	Tax Basis	Tax rate (%)
Value-added Tax	Output tax is calculated based on revenue from sales of goods and taxable services as determined in accordance with tax laws. The amount of VAT payable is the difference after deducting the deductible input tax for the current period	5, 6, 13, 9
Consumption Tax	Consumption tax is calculated based on revenue from sales of goods and taxable services as determined in accordance with Japanese tax laws. The amount of consumption tax payable is the difference after deducting the deductible consumption tax for the current period	10
Business Tax		
City Maintenance and Construction Tax	Calculated based on the actual amount of VAT and Consumption Tax paid	5, 7
Corporate Income Tax	Calculated based on taxable income	15, 16.5, 19, 25, 20, 21, 34.51

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

IV. TAXES (CONTINUED)

1. Major tax types and tax rates (Continued)

Major tax types and tax rates (Continued)

If there are taxpayers with different enterprise income tax rates, the disclosure shall be made as follows:

Name of Taxpayer	Income Tax Rate (%)
CIG SHANGHAI CO., LTD.	15
CIG Zhejiang Telecommunication Equipment Co., Ltd.	15
Cambridge Industries Group Limited	16.5
Cambridge Industries USA Inc.	21
CIG Photonics Japan Limited	34.51
Cambridge Industries Group Telecommunication Limited	16.5
CIG Photonics Europe GmbH	19
ACTIONTEC ELECTRONICS, INC.	21
Actiontec Electronics(Taiwan)	20
Other subsidiaries	25

2. Tax incentives

CIG has been recognized as a high-tech enterprise and has obtained the High-Tech Enterprise Certificate numbered GR202331002787, issued on November 15, 2023 with a validity period of 3 years. Its enterprise income tax rate was levied at 15%.

CIG Zhejiang has been recognized as a high-tech enterprise and has obtained the High-Tech Enterprise Certificate numbered GR202533010032, issued on December 19, 2025 with a validity period of 3 years. Its enterprise income tax rate was levied at 15%.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Cash on hand	**1,980.00**	1,980.00
Bank deposits	**3,443,744,058.87**	4,789,035,855.86
Other monetary funds	**1,173.97**	1,173.67
Accrued interest on deposits		1,654,022.12
Total	**3,443,747,212.84**	4,790,693,031.65
Including: Total funds deposited overseas	**271,570,765.63**	462,444,769.47

2. Trading financial assets

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance	Reasons and Basis for Designation
Financial assets at fair value through profit or loss	**10,006,515.78**		/
Total	**10,006,515.78**		/

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Drivative financial assets

☐Applicable √Not applicable

4. Notes receivable

(1) Classification of notes receivable

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Bank acceptance bills		27,040.00
Commercial acceptance bills	**992,876.07**	
Total	**992,876.07**	27,040.00

(2) Notes receivable that have been endorsed or discounted and have not yet matured at the balance sheet date at the end of the period

Unit: Yuan Currency: RMB

Item	Closing Derecognized Amount	Closing Underecognized Amount
Bank acceptance bills	**1,972,350.00**	
Total	**1,972,350.00**	

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Notes receivable (Continued)

(3) Disclosure by classification under the bad debt accrual method

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
Category	Amount	proportion(%)	Amount	Provision proportion(%)	Carrying value	Amount	proportion(%)	Amount	Provision proportion(%)	Carrying value
Provision for bad debts on a combination basis	992,876.07	100.00			992,876.07	27,040.00	100.00			27,040.00
Including:										
Bank acceptance bills						27,040.00	100.00			27,040.00
Commercial acceptance bills	992,876.07	100.00			992,876.07					
Total	992,876.07	/		/	992,876.07	27,040.00	/		/	27,040.00

Provision for bad debts on a combination basis:

Unit: Yuan Currency: RMB

	Closing balance		
Name	Carrying balance	Provision for bad debts	Provision proportion(%)
Commercial acceptance bills	**992,876.07**		
Total	**992,876.07**		

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable

(1) Disclosure by aging

Unit: Yuan Currency: RMB

Aging	Closing carrying balance	Opening carrying balance
Within 1 year (including 1 year)	**2,612,911,838.11**	1,980,639,539.51
Including: within 1 year	**2,612,911,838.11**	1,980,639,539.51
1 to 2 years	**34,353,935.51**	38,412,049.09
2 to 3 years	**4,758,554.37**	4,945,772.43
Over 3 years	**1,785,183.37**	1,395,365.79
Total	**2,653,809,511.36**	2,025,392,726.82

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(2) Classified disclosure by bad debt accrual method

Unit: Yuan Currency: RMB

	Closing Balance					Opening Balance				
	Carrying Balance		Provision for Bad Debts			Carrying Balance		Provision for Bad Debts		
Category	Amount	Proportion(%)	Amount	Provision proportion(%)	Carrying Value	Amount	Proportion(%)	Amount	Provision proportion(%)	Carrying Value
Provision for bad debts on a combination basis	2,653,809,511.36	100.00	34,430,461.71	1.30	2,619,379,049.65	2,025,392,726.82	100.00	27,672,562.04	1.37	1,997,720,164.78
Other customers	2,653,809,511.36	100.00	34,430,461.71	1.30	2,619,379,049.65	2,025,392,726.82	100.00	27,672,562.04	1.37	1,997,720,164.78
Total	2,653,809,511.36	/	34,430,461.71	/	2,619,379,049.65	2,025,392,726.82	/	27,672,562.04	/	1,997,720,164.78

Provision for bad debts on a combination basis:

Unit: Yuan Currency: RMB

	Closing Balance		
Name	Carrying Balance	Provision for Bad Debts	Provision Proportion (%)
Within 1 year	2,612,911,838.11	26,830,607.60	1.03
1 to 2 years	34,353,935.51	3,435,393.55	10.00
2 to 3 years	4,758,554.37	2,379,277.19	50.00
Over 3 years	1,785,183.37	1,785,183.37	100.00
Total	2,653,809,511.36	34,430,461.71	1.30

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(3) Provision for bad debts

Unit: Yuan Currency: RMB

Category	Opening Balance	Changes during the Period: Accrual	Changes during the Period: Recovery or Reversal	Changes during the Period: Resale or Written-off	Changes during the Period: Other Changes	Closing Balance
Amount of provision for bad debts	27,672,562.04	6,757,899.67				34,430,461.71
Total	27,672,562.04	6,757,899.67				34,430,461.71

(4) Top 5 entities in terms of closing balances of accounts receivable and contract assets aggregated by debtor

Unit: Yuan Currency: RMB

Unit Name	Closing Balance of Accounts Receivable	Closing Balance of Contract Assets	Closing Balances of Accounts Receivable and Contract Assets	Proportion to Total Closing Balances of Accounts Receivable and Contract Assets (%)	Provision for Bad Debts Closing Balance
First	756,048,284.73	—	756,048,284.73	28.49	7,560,482.85
Second	567,203,433.85	—	567,203,433.85	21.37	8,713,539.02
Third	395,419,180.08	—	395,419,180.08	14.90	3,954,191.80
Fourth	338,833,106.18	—	338,833,106.18	12.77	3,567,129.18
Fifth	264,260,694.33	—	264,260,694.33	9.96	2,642,606.94
Total	2,321,764,699.17	—	2,321,764,699.17	87.49	26,437,949.79

6. Contract Assets

☐Applicable √Not applicable

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Receivables financing

☐Applicable √Not applicable

8. Prepayments

(1) Prepayments by aging

Unit: Yuan Currency: RMB

Aging	Closing Balance Amount	Closing Balance Proportion(%)	Opening Balance Amount	Opening Balance Proportion(%)
Within 1 year	**548,233,994.08**	**98.28**	161,625,978.02	95.84
1 to 2 years	**8,392,721.65**	**1.50**	5,809,990.84	3.45
2 to 3 years	**3,000.00**	**0.00**	3,000.00	0.00
Over 3 years	**1,200,540.70**	**0.22**	1,200,540.70	0.71
Total	**557,830,256.43**	**100.00**	168,639,509.56	100.00

(2) Top 5 entities in terms of closing balance of prepayments aggregated by prepayment recipient

Unit: Yuan Currency: RMB

Unit Name	Closing Balance	Proportion to Total Closing Balance of Prepayments (%)
First	**77,473,987.50**	**13.89**
Second	**73,317,275.33**	**13.14**
Third	**72,483,589.68**	**12.99**
Fourth	**60,000,000.00**	**10.76**
Fifth	**51,081,750.00**	**9.16**
Total	**334,356,602.51**	**59.94**

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other receivables

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Other receivables	**5,816,290.58**	8,416,085.80
Total	**5,816,290.58**	8,416,085.80

Other Receivables

(1) Disclosure by ageing

Unit: Yuan Currency: RMB

Ageing	Closing Carrying Balance	Opening Carrying Balance
Within 1 year (including 1 year)	**2,116,790.05**	1,894,103.92
1 to 2 years	**336,956.90**	5,834,377.50
2 to 3 years	**6,885,229.88**	2,731,494.72
Over 3 years	**362,527.39**	2,062,556.66
Total	**9,701,504.22**	12,522,532.80

(2) Classification by fund nature

Unit: Yuan Currency: RMB

Fund Nature	Closing Carrying Balance	Opening Carrying Balance
Deposits and margins	**9,038,582.25**	12,292,536.71
Intercourse funds and advanced payments	**662,921.97**	229,996.09
Total	**9,701,504.22**	12,522,532.80

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other receivables (Continued)

Other Receivables (Continued)

(3) Status of provision for bad debts

Unit: Yuan Currency: RMB

Provision for Bad Debts	Stage 1 Expected Credit Loss in the Next 12 Months	Stage 2 Expected Credit Loss for the Entire Duration (No Impairment of Credit Occurred)	Stage 3 Expected Credit Loss for the Entire Duration (Impairment of Credit Occurred)	Total
Balance as at January 1, 2026	**94,705.20**	**1,949,185.14**	**2,062,556.66**	**4,106,447.00**
Balance as at January 1, 2026 in the current period				**0.00**
— Transfer to Phase II	**−10,496.19**	**10,496.19**		**0.00**
— Transfer to Phase III		**−110,557.10**	**110,557.10**	**0.00**
Current accrual	**48,916.84**	**1,680,936.17**		**1,729,853.01**
Current reversal	**50,000.00**	**90,500.00**	**1,810,586.37**	**1,951,086.37**
Balance as at June 30, 2026	**83,125.85**	**3,530,060.40**	**362,527.39**	**3,885,213.64**

Basis for classification by stage and provision ratio for impairment

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other receivables (Continued)

Other Receivables (Continued)

(3) Status of provision for bad debts (Continued)

Explanations on significant changes in the carrying balance of other receivables for which loss provisions have changed in the current period:

Carrying Balance	Stage 1 Expected Credit Loss in the Next 12 Months	Stage 2 Expected Credit Loss for the Entire Duration (No Impairment of Credit Occurred)	Stage 3 Expected Credit Loss for the Entire Duration (Impairment of Credit Occurred)	Total
Prior closing balance	1,894,103.92	8,565,872.22	2,062,556.66	12,522,532.80
Prior closing balance in the current period				0.00
— Transfer to Phase II	–104,961.90	104,961.90		0.00
— Transfer to Phase III		–110,557.10	110,557.10	0.00
Current additions	1,327,648.03			1,327,648.03
Current derecognition	1,000,000.00	1,338,090.24	1,810,586.37	4,148,676.61
Closing balance	2,116,790.05	7,222,186.78	362,527.39	9,701,504.22

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other receivables (Continued)

Other Receivables (Continued)

(4) Provision for bad debts

Unit: Yuan Currency: RMB

Category	Opening Balance	Changes during the Period Accrual	Recovery or Reversal	Resale or Write-off	Other Changes	Closing Balance
Provision for bad debts of other receivables	4,106,447.00	1,729,853.01	1,951,086.37			3,885,213.64
Total	4,106,447.00	1,729,853.01	1,951,086.37			3,885,213.64

(5) Top five entities in terms of closing balance of other receivables aggregated by debtor

Unit: Yuan Currency: RMB

Unit Name	Closing Balance	Closing Balance of Other Receivables (%)	Fund Nature	Aging	Provision for Bad Debts Closing Balance
Nomura Real Estate Development Co., Ltd.	4,356,173.97	44.90	Deposits and margins	2–3 years	2,141,336.76
The IRVINE COMPANY LLC	2,416,323.43	24.91	Deposits and margins	2–3 years	1,208,161.71
China Export & Credit Insurance Corporation Shanghai Branch	1,194,104.90	12.31	Deposits and margins	Within 1 year	59,705.25
DeHeng Shanghai Law Office	283,018.87	2.92	Intercourse funds and advanced payments	Within 1 year	0.00
Beijing GW Delight Technology Co, Ltd. (北京格林偉迪科技股份有限公司)	200,000.00	2.06	Deposits and margins	1–2 years	20,000.00
Total	8,449,621.17	87.10	/	/	3,429,203.72

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Inventories

(1) Classification of inventories

Unit: Yuan Currency: RMB

Item	Closing Balance Carrying Balance	Closing Balance Inventory Depreciation Reserves/ Contract Performance Cost Impairment Reserves	Closing Balance Carrying Value	Opening Balance Carrying Balance	Opening Balance Inventory Depreciation Reserves/ Contract Performance Cost Impairment Reserves	Opening Balance Carrying Value
Raw materials	**2,291,170,845.22**	**59,261,835.87**	**2,231,909,009.35**	1,577,851,622.68	56,442,694.42	1,521,408,928.26
In-process products	**574,549,014.27**	**10,756,165.11**	**563,792,849.16**	495,049,839.92	10,421,517.48	484,628,322.44
Goods in stock	**206,245,972.33**	**19,307,105.09**	**186,938,867.24**	201,194,748.72	19,341,138.06	181,853,610.66
Goods issued	**64,580,935.91**		**64,580,935.91**	54,482,012.07		54,482,012.07
Consigned processing materials	**149,879,814.08**		**149,879,814.08**	133,381,053.79		133,381,053.79
Total	**3,286,426,581.81**	**89,325,106.07**	**3,197,101,475.74**	2,461,959,277.18	86,205,349.96	2,375,753,927.22

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Inventories (Continued)

(2) *Inventory depreciation reserves and contract performance cost impairment reserves*

Unit: Yuan Currency: RMB

Item	Opening Balance	Current Increase Amount		Current Decrease Amount		Closing Balance
		Accrual	Other	Reversal or Write-off	Other	
Raw materials	56,442,694.42	3,738,602.21		919,460.76		59,261,835.87
In-process products	10,421,517.48	507,126.34		172,478.71		10,756,165.11
Goods in stock	19,341,138.06			34,032.97		19,307,105.09
Total	86,205,349.96	4,245,728.55		1,125,972.44		89,325,106.07

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Held-for-sale assets

□Applicable √Not applicable

12. Non-current assets due within one year

□Applicable √Not applicable

13. Other current assets

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Input tax to be deducted	**335,385,789.15**	164,099,891.67
Prepaid income tax	**47,261,732.98**	47,744,404.84
Japanese consumption tax to be deducted	**3,226,594.85**	2,353,122.57
Total	**385,874,116.98**	214,197,419.08

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Debt investments

☐Applicable √Not applicable

15. Other debt investments

☐Applicable √Not applicable

16. Long-term receivables

☐Applicable √Not applicable

17. Long-term equity investments

Unit: Yuan Currency: RMB

Investee	Opening Balance (Carrying Value)	Opening Balance of Impairment Reserves	Current Movement								Closing Balance (Carrying Value)	Closing Balance of Impairment Reserves
			Additional Investment	Reduced Investment	Investment Gains and Losses Recognized under the Equity Method	Adjustment to Other Comprehensive	Changes in Other Equity	Declared Cash Dividends or Profits	Accrual of Impairment Reserves	Other		
Associates												
Nanjing Casela Technologies Corporation Limited	128,737,434.00		112,370,587.00		-2,747,273.12		-8,675,679.39				229,685,068.49	
Subtotal	128,737,434.00	0.00	112,370,587.00	0.00	-2,747,273.12	0.00	-8,675,679.39	0.00	0.00	0.00	229,685,068.49	
Total	128,737,434.00	0.00	112,370,587.00	0.00	-2,747,273.12	0.00	-8,675,679.39	0.00	0.00	0.00	229,685,068.49	

18. Other equity instrument investments

☐Applicable √Not applicable

19. Other non-current financial assets

Unit: Yuan Currency: RMB

Item	**Closing Balance**	Opening Balance
Equity instrument investments	**21,560,490.00**	14,560,490.00
Total	**21,560,490.00**	14,560,490.00

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Investment property

☐Applicable √Not applicable

21. Fixed assets

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Fixed assets	**1,038,009,663.05**	874,474,927.65
Total	**1,038,009,663.05**	874,474,927.65

Status of fixed assets

Unit: Yuan Currency: RMB

Item	Houses and buildings	Machinery and Equipment	Means of Transportation	Electronic Equipment	Instruments and Meters	Production Equipment	Office Equipment	Total
I. Original carrying value:								
1. Opening balance	339,357,425.28	303,371,434.25	2,244,117.64	65,991,651.83	577,633,998.64	445,918,900.76	7,229,836.42	1,741,747,364.82
2. Current increase	0.00	46,704,473.05	0.00	4,848,602.10	61,699,474.99	143,506,195.77	126,112.15	256,884,858.06
(1) Acquisition	0.00	30,844,119.07	0.00	3,964,437.62	10,464,340.48	28,929,070.43	126,112.15	74,328,079.75
(2) Transfer from construction in progress	0.00	15,860,353.98	0.00	884,164.48	51,235,134.51	114,577,125.34	0.00	182,556,778.31
(3) Increase from business combination								
3. Current decrease	0.00	5,297,389.33	0.00	732,186.39	10,343,660.50	4,146,058.13	288,603.97	20,807,898.32
(1) Disposal or scrapping	0.00	4,234,559.01	0.00	459,403.36	6,638,037.61	1,715,155.02	40,470.18	13,087,625.18
(2) Exchange rate adjustment	0.00	1,062,830.32	0.00	272,783.03	3,705,622.89	2,430,903.11	248,133.79	7,720,273.14
4. Closing balance	339,357,425.28	344,778,517.97	2,244,117.64	70,108,067.54	628,989,813.13	585,279,038.40	7,067,344.60	1,977,824,324.56

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Fixed assets (Continued)

Status of fixed assets (Continued)

Item	Houses and buildings	Machinery and Equipment	Means of Transportation	Electronic Equipment	Instruments and Meters	Production Equipment	Office Equipment	Total
II. Accumulated depreciation								
1. Opening balance	55,861,121.27	168,324,094.27	1,703,608.69	52,520,664.21	336,973,807.85	247,206,415.42	4,682,725.46	867,272,437.17
2. Current increase	8,548,594.64	27,076,760.17	79,348.59	2,870,740.74	38,563,976.84	13,859,889.69	350,361.14	91,349,671.81
(1) Accrual	8,548,594.64	27,076,760.17	79,348.59	2,870,740.74	38,563,976.84	13,859,889.69	350,361.14	91,349,671.81
3. Current decrease	0.00	5,493,539.90	0.00	595,137.72	10,948,117.69	1,618,532.04	152,120.12	18,807,447.47
(1) Disposal or scrapping	0.00	3,140,935.18	0.00	347,594.17	8,906,514.01	1,300,262.80	32,166.30	13,727,472.46
(2) Exchange rate adjustment	0.00	2,352,604.72	0.00	247,543.55	2,041,603.68	318,269.24	119,953.82	5,079,975.01
4. Closing balance	64,409,715.91	189,907,314.54	1,782,957.28	54,796,267.23	364,589,667.00	259,447,773.07	4,880,966.48	939,814,661.51
III. Carrying value								
1. Closing carrying value	274,947,709.37	154,871,203.43	461,160.36	15,311,800.31	264,400,146.13	325,831,265.33	2,186,378.12	1,038,009,663.05
2. Opening carrying value	283,496,304.01	135,047,339.98	540,508.95	13,470,987.62	240,660,190.79	198,712,485.34	2,547,110.96	874,474,927.65

22. Construction in progress

Unit: Yuan Currency: RMB

Item	**Closing Balance**	Opening Balance
Construction in progress	**947,472,423.38**	457,643,424.22
Total	**947,472,423.38**	457,643,424.22

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Construction in progress (Continued)

Construction in progress

(1) *Status of construction in progress*

Unit: Yuan Currency: RMB

Item	Closing Balance Carrying Balance	Closing Balance Impairment Reserves	Closing Balance Carrying Value	Opening Balance Carrying Balance	Opening Balance Impairment Reserves	Opening Balance Carrying Value
Electronic equipment	**291,430.24**		**291,430.24**			
Self-built equipment	**947,180,993.14**		**947,180,993.14**	457,643,424.22		457,643,424.22
Total	**947,472,423.38**		**947,472,423.38**	457,643,424.22		457,643,424.22

(2) *Changes in significant constructions in progress in the current period*

Unit: Yuan Currency: RMB

Project Name	Budget	Opening Balance	Current Increase	Transferred to Fixed Assets	Other Current Decrease	Closing Balance	Proportion of Accumulated Project Investment to Budget (%)	Project Progress	Accumulated Amount of Interest Capitalization	Including: Current Amount of Interest Capitalization	Current Rate of Interest Capitalization (%)	Source of Funds
Electronic equipment			1,175,594.72	884,164.48		291,430.24						
Self-built equipment		457,643,424.22	671,210,182.75	181,672,613.83		947,180,993.14						
Total		457,643,424.22	672,385,777.47	182,556,778.31	—	947,472,423.38	/	/			/	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Productive biological assets

☐Applicable √Not applicable

24. Oil and gas assets

☐Applicable √Not applicable

25. Right-of-use assets

Unit: Yuan Currency: RMB

Item	Houses and Buildings	Total
I. Original carrying value		
1. Opening balance	239,059,271.45	239,059,271.45
2. Current increase	63,785,510.62	63,785,510.62
(1) Leasing in	63,785,510.62	63,785,510.62
3. Current decrease	7,530,064.84	7,530,064.84
(1) Exchange rate adjustment	7,530,064.84	7,530,064.84
4. Closing balance	295,314,717.23	295,314,717.23
II. Accumulated depreciation		
1. Opening balance	112,688,774.21	112,688,774.21
2. Current increase	15,226,840.66	15,226,840.66
(1) Accrual	15,226,840.66	15,226,840.66
3. Current decrease	3,758,762.36	3,758,762.36
(1) Exchange rate adjustment	3,758,762.36	3,758,762.36
4. Closing balance	124,156,852.51	124,156,852.51
III. Carrying value		
1. Closing carrying value	171,157,864.72	171,157,864.72
2. Opening carrying value	126,370,497.24	126,370,497.24

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Intangible assets

Status of intangible assets

Unit: Yuan Currency: RMB

Item	Land Use Rights	Software	Patent Licensing Rights	Intangible Assets Formed through capitalization during Internal Research and Development	Total
I. Original carrying value					
1. Opening balance	35,565,282.00	170,515,235.79	65,600,000.00	935,098,416.52	1,206,778,934.31
2. Current increase		6,251,626.05		36,106,256.25	42,357,882.30
(1) Acquisition		6,251,626.05			6,251,626.05
(2) Internal R&D				36,106,256.25	36,106,256.25
3. Current decrease		118,122.49			118,122.49
(1) Other decrease		118,122.49			118,122.49
4. Closing balance	35,565,282.00	176,648,739.35	65,600,000.00	971,204,672.77	1,249,018,694.12
II. Accumulated amortisation					
1. Opening balance	1,481,886.75	129,765,825.04	65,600,000.00	549,672,982.88	746,520,694.67
2. Current increase	355,652.82	6,100,099.27		77,491,330.90	83,947,082.99
(1) Accrual	355,652.82	6,100,099.27		63,528,992.31	69,984,744.40
(2) Other increase				13,962,338.59	13,962,338.59
4. Closing balance	1,837,539.57	135,865,924.31	65,600,000.00	627,164,313.78	830,467,777.66

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Intangible assets (Continued)

Status of intangible assets (Continued)

Item	Land Use Rights	Software	Patent Licensing Rights	Intangible Assets Formed through capitalization during Internal Research and Development	Total
III. Impairment reserves					
1. Opening balance				23,919,243.90	23,919,243.90
2. Current increase					
3. Current decrease					
4. Closing balance				23,919,243.90	23,919,243.90
IV. Carrying value					
1. Closing carrying value	33,727,742.43	40,782,815.04		320,121,115.09	394,631,672.56
2. Opening carrying value	34,083,395.25	40,749,410.75		361,506,189.74	436,338,995.74

At the end of the period, the proportion of intangible assets formed through internal research and development to the balance of intangible assets was 81.12%.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Goodwill

(1) Original carrying value of goodwill

Unit: Yuan Currency: RMB

Name of Investee or Matters Forming Goodwill	Opening Balance	Current Increase Formation by Business Combination	Current Decrease Disposal	Closing Balance
Actiontec Electronics, Inc.	98,968,519.23			98,968,519.23
Total	98,968,519.23			98,968,519.23

(2) Information about the asset group or combination of asset groups to which goodwill belongs

Name	Composition and Basis of the Asset Group or Combination	Operating Segment and Basis	Consistent with Prior Year or Not
Actiontec Electronics, Inc.	Generating cash flow through independent operations	Not applicable	Yes

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	Opening Balance	Amount of Current Increase	Amount of Current Amortization	Amount of Other Decrease	Closing Balance
Renovation expenses for Jiashan Cleanroom	13,069,724.77	30,050,458.72	2,156,009.02		40,964,174.47
Renovation expenses for the R&D Center in the United States	1,445,319.98		164,850.55		1,280,469.43
Renovation expenses for the office building in Shanghai	781,487.21		161,686.98		619,800.23
Renovation expenses for the office building in Taiwan	752,699.24		169,604.02		583,095.22
Renovation of Jiashan Plant 1		19,531,579.97	284,354.73		19,247,225.24
Renovation of Jiashan Plant 2		9,865,927.43	493,296.37		9,372,631.06
Total	16,049,231.20	59,447,966.12	3,429,801.67		72,067,395.65

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Deferred income tax assets/deferred income tax liabilities

(1) Unoffset deferred income tax assets

Unit: Yuan Currency: RMB

Item	Closing Balance		Opening Balance	
	Deductible Temporary Differences	Deferred Income Tax Assets	Deductible Temporary Differences	Deferred Income Tax Assets
Provision for asset impairment	**84,544,590.96**	**12,879,978.70**	81,475,265.61	12,423,020.78
Deductible loss	**123,975,040.43**	**18,596,256.06**	123,975,040.43	18,596,256.06
Deferred income	**51,584,810.24**	**7,737,721.53**	53,827,703.11	8,074,155.47
Lease liabilities	**60,297,427.30**	**9,096,592.00**	1,835,578.96	326,967.40
Total	**320,401,868.93**	**48,310,548.29**	261,113,588.11	39,420,399.71

(2) Unoffset deferred income tax liabilities

Unit: Yuan Currency: RMB

Item	Closing Balance		Opening Balance	
	Taxable Temporary Differences	Deferred Income Tax Liabilities	Taxable Temporary Differences	Deferred Income Tax Liabilities
Depreciation of fixed assets	**41,337,486.87**	**6,200,623.03**	39,524,815.18	5,928,722.28
Right-of-use assets	**61,338,851.05**	**9,275,089.25**	2,022,519.41	377,639.50
Total	**102,676,337.92**	**15,475,712.28**	41,547,334.59	6,306,361.78

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other non-current assets

Unit: Yuan Currency: RMB

Item	Closing Balance			Opening Balance		
	Carrying Balance	Provision for Impairment	Carrying Value	Carrying Balance	Provision for Impairment	Carrying Value
Prepayment for equipment	**286,391,246.38**		**286,391,246.38**	50,286,716.04		50,286,716.04
Prepayment for intangible assets	**2,933,512.42**		**2,933,512.42**	3,993,009.27		3,993,009.27
Total	**289,324,758.80**		**289,324,758.80**	54,279,725.31		54,279,725.31

31. Assets with restricted ownership or use rights

□Applicable √Not applicable

32. Short-term borrowings

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Credit borrowings	**1,043,531,361.78**	1,937,180,557.24
Short-term borrowings — Interest payable	**954,262.85**	2,733,149.23
Total	**1,044,485,624.63**	1,939,913,706.47

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Trading financial liabilities

☐Applicable √Not applicable

34. Derivative financial liabilities

☐Applicable √Not applicable

35. Notes payable

Unit: Yuan Currency: RMB

Category	Closing Balance	Opening Balance
Commercial acceptance bills	**31,987,912.56**	49,445,057.64
Total	**31,987,912.56**	49,445,057.64

36. Accounts payable

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Accounts payable to suppliers	**2,412,260,616.86**	1,779,655,480.60
Total	**2,412,260,616.86**	1,779,655,480.60

37. Receipts in advance

☐Applicable √Not applicable

38. Contract liabilities

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Prepayments for goods	**6,425,518.26**	7,073,810.84
Total	**6,425,518.26**	7,073,810.84

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Employee benefits payable

(1) List of employee benefits payable

Unit: Yuan Currency: RMB

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
I. Short-term benefits	26,252,987.71	239,979,032.73	234,827,990.41	31,404,030.03
II. Post-employment benefits — defined contribution plan	15,853,927.39	35,376,189.17	41,718,676.44	9,511,440.12
Total	42,106,915.10	275,355,221.90	276,546,666.85	40,915,470.15

(2) List of short-term benefits

Unit: Yuan Currency: RMB

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
I. Salaries, bonuses, allowances and subsidies	21,177,666.54	205,591,103.37	201,193,473.98	25,575,295.93
II. Employee welfare	65,691.17	2,188,109.42	2,010,100.73	243,699.86
III. Social insurance premiums	2,604,059.16	16,080,628.29	15,673,090.04	3,011,597.41
Including: Medical insurance premiums	1,924,601.86	15,206,723.46	14,295,981.80	2,835,343.52
Work-related injury insurance premiums	38,256.82	410,847.79	367,359.05	81,745.56
Others	641,200.48	463,057.04	1,009,749.19	94,508.33
IV. Housing accumulation fund	2,405,570.84	16,119,191.65	15,951,325.66	2,573,436.83
Total	26,252,987.71	239,979,032.73	234,827,990.41	31,404,030.03

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Employee benefits payable (Continued)

(3) List of defined contribution plan

Unit: Yuan Currency: RMB

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
1. Basic endowment insurance premiums	4,151,895.52	32,080,064.49	32,080,599.64	4,151,360.37
2. Unemployment insurance premiums	11,702,031.87	3,296,124.68	9,638,076.80	5,360,079.75
Total	15,853,927.39	35,376,189.17	41,718,676.44	9,511,440.12

40. Taxes payable

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
VAT	**11,560,967.19**	21,434,284.56
Enterprise income tax	**–14,917.96**	270,212.20
Individual income tax	**5,153,381.75**	2,531,904.91
Urban maintenance and construction tax	**1,786.51**	2,857.05
Education surcharge and local education surcharge	**1,786.51**	2,541.94
Property tax	**775,209.39**	181,047.83
River management fee		161.90
Stamp duty	**1,755,910.35**	2,939,834.52
Total	**19,234,123.74**	27,362,844.91

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Other payables

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Dividends payable	**146,008.17**	146,008.14
Other payables	**57,463,896.08**	46,501,291.64
Total	**57,609,904.25**	46,647,299.78

(2) Dividends payable

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Ordinary shares dividends	**146,008.17**	146,008.14
Total	**146,008.17**	146,008.14

At the end of the period, there are no dividends payable that have been outstanding for more than one year.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Other payables (Continued)

(4) Other payables

Other payables listed by fund nature

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Intercourse funds and advanced payments	**8,123,299.60**	10,510,229.09
Accrued expenses	**28,865,752.72**	17,579,140.21
Labor outsourcing services	**20,461,963.76**	18,399,042.34
Deposits and margins	**12,880.00**	12,880.00
Total	**57,463,896.08**	46,501,291.64

42. Held-for-sale liabilities

□Applicable √Not applicable

43. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Long-term borrowings due within one year	**75,550,000.00**	246,416,194.33
Lease liabilities due within one year	**26,988,728.38**	22,360,586.08
Total	**102,538,728.38**	268,776,780.41

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Other current liabilities

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Notes receivable not derecognized	—	27,040.00
Output tax to be written off	**195,226.83**	16,818.78
Sale-and-leaseback lease payments due within one year	**3,760,222.20**	11,279,999.99
Total	**3,955,449.03**	11,323,858.77

45. Long-term borrowings

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Credit borrowings	**274,500,000.00**	246,200,000.00
Total	**274,500,000.00**	246,200,000.00

46. Bonds payable

☐Applicable √Not applicable

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Lease liabilities

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Lease liabilities	**213,052,779.93**	155,774,203.46
Unrecognized financing expenses	**−26,197,638.52**	−18,786,845.34
Subtotal	**186,855,141.41**	136,987,358.12
Less: Lease liabilities due within 1 year	**26,988,728.38**	22,360,586.08
Total	**159,866,413.03**	114,626,772.04

48. Long-term Payables

☐Applicable √Not applicable

49. Long-term Employee Benefits Payable

☐Applicable √Not applicable

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Estimated liabilities

□Applicable √Not applicable

51. Deferred income

Unit: Yuan Currency: RMB

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance	Cause of Formation
Government subsidies	53,827,703.11	6,757,095.00	8,999,987.87	51,584,810.24	Government allocation
Total	53,827,703.11	6,757,095.00	8,999,987.87	51,584,810.24	/

52. Other non-current liabilities

□Applicable √Not applicable

53. Share capital

Unit: Yuan Currency: RMB

		Increase (+)/Decrease (−) in This Change					
	Opening Balance	Issue of New Shares	Bonus Share	Conversion of Capital Reserves into Share Capital	Others	Subtotal	Closing Balance
Total shares	352,650,373.00	15,600,000.00	—	—	—	15,600,000.00	368,250,373.00

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Other equity instruments

□Applicable √Not applicable

55. Capital reserve

Unit: Yuan Currency: RMB

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Capital premium (Equity premium)	6,220,493,484.18	1,696,977,953.51	696,355.23	7,916,775,082.46
Other capital reserve	81,375,378.66	2,083,933.36	8,675,679.39	74,783,632.63
Total	6,301,868,862.84	1,699,061,886.87	9,372,034.62	7,991,558,715.09

56. Treasury stocks

□Applicable √Not applicable

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Other comprehensive income

Unit: Yuan Currency: RMB

Item	Opening Balance	Current Amount Incurred: Amount incurred before income tax for the current period	Current Amount Incurred: Less: Amount included in other comprehensive income in the prior period but transferred to profits or losses in the current period	Current Amount Incurred: Less: Amount included in other comprehensive income in the prior period but transferred to retained earnings in the current period	Current Amount Incurred: Less: Income tax expense	Current Amount Incurred: Attributable to parent company after tax	Current Amount Incurred: Attributable to minority shareholders after tax	Closing Balance
Other comprehensive income that can be reclassified into profits or losses	-20,696,681.46					-18,365,582.12		-39,062,263.58
Differences on translating foreign currency financial statements	-20,696,681.46					-18,365,582.12		-39,062,263.58
Total other comprehensive income	-20,696,681.46					-18,365,582.12		-39,062,263.58

Notes to the Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Special Reserve

□Applicable √Not applicable

59. Surplus reserve

Unit: Yuan Currency: RMB

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Statutory surplus reserve	123,591,917.44			123,591,917.44
Total	123,591,917.44			123,591,917.44

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Undistributed profit

Unit: Yuan Currency: RMB

Item	Current Period	Prior Year
Undistributed profit at the end of prior period before adjustment	**691,985,921.38**	534,749,900.28
Opening undistributed profit after adjustment	**691,985,921.38**	534,749,900.28
Add: Current net profits attributable to owners of the parent company	**327,746,411.73**	263,485,209.59
Less: Extraction of statutory surplus reserve		35,165,486.66
Ordinary shares dividends payable	**98,742,104.44**	71,083,701.83
Closing undistributed profit	**920,990,228.67**	691,985,921.38

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Current Amount Incurred		Prior Amount Incurred	
	Income	Cost	Income	Cost
Primary business	**2,705,007,720.63**	**1,872,682,598.96**	2,034,023,423.45	1,586,074,572.87
Other business			1,102,844.49	1,044,420.14
Total	**2,705,007,720.63**	**1,872,682,598.96**	2,035,126,267.94	1,587,118,993.01

62. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Stamp duty	**4,380,921.53**	1,729,904.21
Property tax	**1,765,466.01**	547,392.16
Urban maintenance and construction tax	**159,101.89**	1,444,972.03
Educational surcharge	**122,250.63**	1,440,903.76
Land use tax	**465,121.50**	465,121.50
Vehicle and vessel tax	**1,200.00**	1,860.00
River management fees		1,250.47
Total	**6,894,061.56**	5,631,404.13

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Selling expenses

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Employee benefits	**37,673,050.10**	35,134,784.84
Business promotion fees	**1,316,264.15**	755,801.20
Office fees	**6,477,490.47**	5,554,423.35
Insurance premiums	**1,281,751.06**	1,448,160.49
Travel expenses	**2,968,810.52**	2,995,501.78
Service charges	**1,677,726.99**	1,165,159.23
Business entertainment expenses	**933,336.78**	1,006,017.94
Maintenance cost	**1,323,358.36**	2,470,502.39
Sample fees	**5,907,829.26**	45,416.95
Depreciation and amortization	**392,103.67**	236,700.77
Others	**141,453.32**	1,229,168.06
Total	**60,093,174.68**	52,041,637.00

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Administrative expenses

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Employee benefits	**54,977,304.59**	46,981,833.09
Office fees	**5,582,997.44**	3,695,342.54
Travel expense	**3,433,499.47**	2,733,433.11
Customs duties	**8,266,438.63**	2,242,099.53
Rental fees	**6,009,708.87**	1,039,300.65
Share-based Payment	**2,084,646.48**	3,498,595.18
Depreciation expenses	**19,049,702.50**	28,028,731.55
Intermediary engagement fees	**10,346,572.25**	12,781,581.63
Service charges	**3,357,209.35**	1,640,716.52
Insurance premiums	**506,630.07**	583,322.56
Others	**1,630,372.87**	782,659.09
Total	**115,245,082.52**	104,007,615.45

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. R&D expenses

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Employee benefits	**116,737,808.74**	84,527,262.43
Depreciation and amortization	**69,759,204.84**	60,648,840.86
Office fees	**1,064,925.85**	270,333.35
Service charges	**7,471,796.32**	8,278,087.30
Material expenses	**10,916,242.35**	4,968,867.47
Travel expenses	**1,642,435.76**	1,125,763.48
Rental fees	**984,158.94**	540,786.58
Decoration fees	**174,649.24**	0.00
Others	**92,081.90**	424,992.03
Total	**208,843,303.94**	160,784,933.50

66. Financial expenses

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Interest expenses	**29,034,901.20**	24,262,582.48
Interest income	**−31,948,059.34**	−3,527,282.56
Exchange gains or losses	**202,051,106.90**	−13,651,887.13
Others	**269,468.70**	223,429.90
Total	**199,407,417.46**	7,306,842.69

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Other income

Unit: Yuan Currency: RMB

Classified by Nature	Current Amount Incurred	Prior Amount Incurred
Government subsidies	**18,042,494.72**	9,570,052.48
Refund of handling fee for withholding individual income tax	**833,819.51**	289,133.43
Value added tax additional deduction	**28,047,297.37**	
Total	**46,923,611.60**	9,859,185.91

68. Investment income

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Income from long-term equity investments calculated under equity method	**−2,747,273.12**	
Investment income from trading financial assets during the holding period	**6,515.78**	
Total	**−2,740,757.34**	

69. Income on net exposure hedging

☐Applicable √Not applicable

70. Income on changes in fair value

☐Applicable √Not applicable

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Losses on credit impairment

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Losses on bad debts of notes receivable		58,312.86
Losses on bad debts of accounts receivable	**−6,757,899.66**	−4,366,983.94
Losses on bad debts of other receivables	**221,233.35**	−1,277,881.68
Total	**−6,536,666.31**	−5,586,552.76

72. Losses on asset impairment

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Loss on decline in value of inventories and impairment loss on contract fulfilment costs	**−3,119,756.10**	−3,368,770.80
Total	**−3,119,756.10**	−3,368,770.80

73. Income on asset disposal

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Disposal of fixed assets	**−77,357.41**	25,604.30
Total	**−77,357.41**	25,604.30

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

74. Non-operating revenue

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred	Amount Included in Current Non-recurring Gains or Losses
Others	**1.34**	226,636.48	
Total	**1.34**	226,636.48	

75. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred	Amount Included in Current Non-recurring Gains or Losses
Loss on damage and scrapping of non-current assets		1,873.25	
Others	**1,826,751.39**	293,168.50	
Total	**1,826,751.39**	295,041.75	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

76. Income tax expenses

(1) *Statement of income tax expenses*

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Current income tax expense	**247,964.14**	2,866,320.73
Deferred income tax expense	**279,201.92**	−1,315,991.93
Total	**527,166.06**	1,550,328.80

(2) *Adjustment process between accounting profit and income tax expense*

Unit: Yuan Currency: RMB

Item	Current Amount Incurred
Total profit	274,464,405.90
Income tax expenses calculated at statutory/or applicable tax rate	41,169,660.89
Impact of various tax rates applicable to the subsidiaries	31,316,391.99
Impact of non-deductible costs, expenses and losses	68,519.60
Impact of deductible losses from using the deferred income tax assets unrecognized in previous periods	−132,880,299.12
Impact of deductible temporary differences or losses from deferred income tax assets unrecognized in the current period	83,512,219.99
Tax effect of deduction for research and development expenses (expressed in "—")	−22,659,327.29
Income tax expenses	527,166.06

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

77. Items in the Cash Flow Statement

(1) *Cash relating to operating activities*

Other cash received relating to operating activities

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Interest income	**31,948,059.34**	3,527,282.56
Non-operating revenue	**1.34**	226,636.48
Other income	**46,923,611.60**	2,488,969.22
Other intercourse funds among enterprises	**20,219,802.93**	2,854,584.56
Total	**99,091,475.21**	9,097,472.82

Other cash paid related to operating activities

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Expense payments	**76,666,127.49**	57,482,529.97
Non-operating expenses	**1,826,751.39**	
Other intercourse funds among enterprises	**101,117,675.61**	4,792,875.86
Total	**179,610,554.49**	62,275,405.83

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

77. Items in the Cash Flow Statement (Continued)

(2) *Cash relating to investment activities*

Cash paid relating to significant investment activities

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Xingfu Jiayuan Venture Capital	**112,006,515.78**	
Total	**112,006,515.78**	

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

77. Items in the Cash Flow Statement (Continued)

(2) Cash relating to investment activities (Continued)

Other cash paid relating to investment activities

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Investment in Suzhou Etern-laser Optoelectronic Technology	**5,000,000.00**	
Total	**5,000,000.00**	

(3) Cash relating to financing activities

Other cash paid related to financing activities

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Repayment of borrowings for finance lease sale-and-leaseback transactions	**7,519,777.77**	
Rent paid for leased property	**13,561,223.87**	13,594,969.67
Intermediary fees	**696,355.23**	10,840,994.19
Total	**21,777,356.87**	24,435,963.86

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

78. Supplementary information about the Cash Flow Statement

(1) Supplementary information about the Cash Flow Statement

Unit: Yuan Currency: RMB

Supplementary Information	Current Amount	Prior Amount
1. Reconciliation of net profits to cash flow from operating activities:		
Net profit	**273,937,239.84**	117,545,574.74
Add: Provision for impairment of assets	**3,119,756.10**	3,368,770.80
Losses on credit impairment	**6,536,666.31**	5,586,552.76
Depreciation of fixed assets, consumption of oil and gas assets and depreciation of productive biological assets	**91,349,671.81**	56,241,631.94
Amortization of right-of-use assets	**15,226,840.66**	12,066,151.09
Amortization of intangible assets	**71,760,070.64**	69,587,160.76
Amortization of long-term deferred expenses	**3,429,801.67**	2,501,850.22
Losses on disposal of fixed assets, intangible assets and other long-term assets ("—" for earnings)	**77,357.41**	−25,604.30
Financial expenses ("—" for earnings)	**199,407,417.46**	10,610,695.35
Losses on investment ("—" for earnings)	**2,740,757.34**	
Decrease in deferred income assets ("—" for increase)	**76,498.66**	183,055.02
Increase in deferred income liabilities ("—" for decrease)	**79,915.24**	−1,499,046.95
Decrease in inventories ("—" for increase)	**−821,347,548.52**	−296,119,704.61
Decrease in operating receivables ("—" for increase)	**−1,415,937,403.98**	−389,280,652.11
Increase in operating payables ("—" for decrease)	**456,408,656.78**	219,365,597.91
Net cash flows from operating activities	**−1,113,134,302.58**	−189,867,967.38

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

78. Supplementary information about the Cash Flow Statement (Continued)

(1) Supplementary information about the Cash Flow Statement (Continued)

Supplementary Information		Current Amount	Prior Amount
2.	**Net changes in cash and cash equivalents:**		
	Closing balance of cash	**3,443,747,212.84**	588,230,550.79
	Less: Opening balance of cash	**4,789,039,009.53**	507,341,089.80
	Net increase in cash and cash equivalents	**−1,345,291,796.69**	80,889,460.99

(2) Composition of cash and cash equivalents

Unit: Yuan Currency: RMB

Item		Closing Balance	Opening Balance
I.	Cash	**3,443,747,212.84**	4,789,039,009.53
	Including: Cash on hand	**1,980.00**	1,980.00
	Bank deposits available for payments at any time	**3,443,745,232.84**	4,789,035,855.86
	Other monetary funds available for payments at any time		1,173.67
II.	Closing balance of cash and cash equivalents	**3,443,747,212.84**	4,789,039,009.53

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

79. Notes to Items in Statement of Change in Owner's Equity

Explain the items such as the name of "other" items and the adjusted amount of the balance at the end of last year:

☐Applicable √Not applicable

80. Foreign currency monetary items

Unit: Yuan

Item	Closing Balance in Foreign Currency	Exchange Rate	Closing Balance in RMB
Monetary funds			3,202,392,315.56
Including: USD	129,385,596.67	6.81090	881,232,360.36
EUR	945,599.20	7.76710	7,344,563.55
HKD	2,651,545,919.45	0.86855	2,303,000,208.34
JPY	104,122,418.00	0.04205	4,377,827.06
TWD	30,179,823.00	0.21330	6,437,356.25
Accounts receivable	—	—	2,531,123,237.63
Including: USD	371,555,818.50	6.81090	2,530,629,524.22
JPY	11,742,500.00	0.04205	493,713.41

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

81. Lease

□Applicable √Not applicable

82. Data resources

□Applicable √Not applicable

VI. RESEARCH AND DEVELOPMENT EXPENDITURES

1. Presented by nature of expense

Unit: Yuan Currency: RMB

Item	Current Amount Incurred	Prior Amount Incurred
Employee benefits	**152,235,837.90**	122,057,704.17
Depreciation and amortization	**71,072,130.82**	63,562,045.18
Office fees	**1,199,829.10**	408,314.08
Service charges	**8,629,628.47**	9,667,375.39
Material expenses	**12,455,755.44**	10,029,150.20
Travel expenses	**2,457,991.74**	1,725,585.80
Rental fees	**1,988,083.34**	1,566,792.93
Decoration fees	**282,219.57**	0.00
Others	**125,257.58**	5,058,926.68
Total	**250,446,733.96**	214,075,894.43
Including: Expensed research and development expenditure	**208,843,303.94**	160,784,933.50
Capitalized research and development expenditure	**41,603,430.02**	53,290,960.93

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

VI. RESEARCH AND DEVELOPMENT EXPENDITURES (CONTINUED)

2. Development expenditure on R&D projects meeting capitalization criteria

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the period: Internal development expenditure	Increase for the period: Others	Decrease for the period: Recognized as intangible assets	Decrease for the period: Transfer to profit or loss for the period	Closing Balance
High-speed optical modules	103,604,145.95	21,516,847.68		35,354,995.26		89,765,998.37
Wireless network and small cell		20,086,582.34				20,086,582.34
Total	103,604,145.95	41,603,430.02		35,354,995.26		109,852,580.71

Important capitalized R&D projects

Item	R&D Progress	Estimated Completion Time	Expected Mode of Generating Economic Benefits	Timing of Capitalization	Specific Basis
1.6T EML	Product development and testing stage	December 2027	Goods sales	January 2024	G1 stage
1.6T SIP	Product development and testing stage	December 2027	Goods sales	January 2024	G1 stage
OP-E160-1000753	Product development and testing stage	December 2026	Goods sales	January 2025	G1 stage
OP-E160-1000758	Product development and testing stage	December 2027	Goods sales	January 2026	G1 stage
AIR7X	Product development and testing stage	February 2027	Goods sales	January 2026	G1 stage
AIR7	Product development and testing stage	July 2027	Goods sales	April 2026	G1 stage

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

☐Applicable √Not applicable

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

(1) Composition of enterprise group

Unit: Yuan Currency: RMB

Name of Subsidiary	Place of Primary Business	Registered Capital	Place of Registration	Business Nature	Shareholding Ratio (%) Direct	Shareholding Ratio (%) Indirect	Acquisition Method
CIG Optical Communication Co., Ltd.	Shanghai	RMB5 million	Shanghai	Manufacturing	100.00	–	Establishment
CIG Shanghai Communication Equipment Co., Ltd.	Shanghai	RMB205 million	Shanghai	Trade	100.00	–	Establishment
Cambridge Industries Group Limited	Hong Kong	HKD1	Hong Kong	Trade	100.00	–	Business combination under common control
Cambridge Industries USA Inc.	USA	USD42 million	USA	R&D and trade	100.00	–	Business combination under common control
CIG Photonics Europe GmbH	Germany	EUR25,000	Germany	Trade	100.00	–	Business combination under common control
Cambridge Industries Group Telecommunication Limited	Hong Kong	HKD1	Hong Kong	Trade	–	100.00	Establishment
CIG Xi'an Co., Ltd.	Xi'an	RMB10 million	Xi'an	R&D	100.00	–	Establishment
CIG Wuhan Co., Ltd.	Wuhan	RMB10 million	Wuhan	Manufacturing	100.00	–	Establishment
Shanghai Cambridge Communication Technology Co., Ltd.	Shanghai	RMB1 million	Shanghai	Manufacturing	100.00	–	Establishment
CIG OPTICS LTD	Hong Kong	HKD10,000	Hong Kong	Trade	–	100.00	Establishment
CIG TECH PHOTONICS SDN.BHD.	Malaysia	RM1,000	Malaysia	Trade	–	100.00	Establishment
CIG Photonics Japan Limited	Japan	JPY10,000	Japan	R&D	–	100.00	Business combination not under common control

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Composition of enterprise group (Continued)

Name of Subsidiary	Place of Primary Business	Registered Capital	Place of Registration	Business Nature	Shareholding Ratio (%)		Acquisition Method
					Direct	Indirect	
Actiontec Electronics, Inc.	USA	USD10	USA	R&D and trade	—	100.00	Business combination not under common control
Actiontec Electronics (Shanghai), Inc.	Shanghai	RMB1.654595 million	Shanghai	R&D	100.00	—	Business combination not under common control
CIG Zhejiang Telecommunication Equipment Co., Ltd.	Zhejiang	RMB450 million	Zhejiang	Manufacturing	66.67	—	Establishment
Actiontec Electronics Taiwan Inc.	Taiwan	TWD9,999,290	Taiwan	R&D	—	100.00	Establishment
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	Jiangsu	RMB400.01 million	Jiangsu	Investment	—	99.9975	Business combination not under common control

As at June 30, 2026, none of the Company's subsidiaries had issued any share capital or securities.

(2) Important non-wholly-owned subsidiaries

Unit: Yuan Currency: RMB

Name of Subsidiary	Shareholding Ratio of Minority Shareholders (%)	Profits or Losses Attributable to Minority Shareholders for the Period	Dividends Declared to Minority Shareholders for the Period	Balance of Minority Shareholders' Equity at the End of the Period
CIG Zhejiang Telecommunication Equipment Co., Ltd.	33.33	–53,803,790.98		55,613,962.97

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(3) Key financial information about significant non-wholly-owned subsidiaries

Unit: Yuan Currency: RMB

	Closing Balance						Opening Balance					
Name of Subsidiary	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
CIG Zhejiang Telecommunication Equipment Co., Ltd.	**3,300,754,790.59**	**1,367,797,159.27**	**4,668,551,949.86**	**4,458,517,842.11**	**43,175,532.98**	**4,501,693,375.09**	1,092,100,918.10	757,395,241.31	1,849,496,159.41	1,493,498,148.72	27,714,059.30	1,521,212,208.02

	Current Amount Incurred				Prior Amount Incurred			
Name of Subsidiary	Operating Revenue	Net Profit	Total Comprehensive Income	Cash Flows from Operating Activities	Operating Revenue	Net Profit	Total Comprehensive Income	Cash Flows from Operating Activities
CIG Zhejiang Telecommunication Equipment Co., Ltd.	**1,338,116,990.53**	**−161,427,515.68**	**−161,427,515.68**	**589,404,805.40**	14,846,704.22	−10,076,494.99	−10,076,494.99	−6,256,106.53

2. Interests in joint ventures or associates

Aggregated financial information of immaterial joint ventures and associates

Unit: Yuan Currency: RMB

	Balance at End of Period/Current Amount Incurred	Opening Balance/Prior Amount Incurred
Associates:		
Aggregate carrying amount of investments	**229,685,068.49**	128,737,434.00

IX. GOVERNMENT SUBSIDIES

1. Liability items involving government subsidies

Unit: Yuan Currency: RMB

Financial statement item	Opening balance	New subsidies received during the period	Amount included in non-operating income in current period	Transferred to other income during the period	Other changes for the period	Closing balance	Related to asset/ income
Deferred income	53,827,703.11	6,757,095.00		8,999,987.87		51,584,810.24	Related to asset
Total	53,827,703.11	6,757,095.00		8,999,987.87		51,584,810.24	/

2. Government subsidies included in current profit or loss

Unit: Yuan Currency: RMB

Type	**Amount for the period**	Amount for the previous period
Related to asset	**8,999,987.87**	7,370,216.69
Related to income	**9,042,506.85**	2,199,835.79
Total	**18,042,494.72**	9,570,052.48

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

IX. GOVERNMENT SUBSIDIES (CONTINUED)

2. Government subsidies included in current profit or loss (Continued)

Other explanations:

Amount of government subsidies related to assets recorded in current profit or loss or offsetting relevant costs or losses

Items presented in the balance sheet	Government subsidies	Amount for the period	Amount for the previous period	Items recorded in current profit or loss or offsetting relevant costs or losses
Deferred income	**21,590,000.00**	**506,989.26**	506,989.26	Technological Transformation for Production of Next-Generation Network Terminal Equipment (Adaptation to Industry 4.0 Capacity Expansion and Upgrade)
Deferred income	**15,490,880.00**	**233,583.53**	1,585,417.48	Application of Intelligent Manufacturing New Model for Key Components of 5G Communication Transmission Networks and ICT Network Equipment
Deferred income	**3,170,000.00**	**—**	102,529.08	High-Tech Industrialization Project — 10G Broadband Integrated Access Terminals
Deferred income	**16,800,000.00**	**1,746,935.73**	2,208,289.54	High-speed photonics and 5G wireless communication network photonics project
Deferred income	**2,690,000.00**	**124,793.32**	124,793.32	Private Enterprise Headquarters Project Rental Subsidy
Deferred income	**8,198,000.00**	**722,974.64**	1,083,350.87	Minhang District Advanced Manufacturing Industry Policy Support Project

IX. GOVERNMENT SUBSIDIES (CONTINUED)

2. Government subsidies included in current profit or loss (Continued)

Amount of government subsidies related to assets recorded in current profit or loss or offsetting relevant costs or losses (Continued)

Items presented in the balance sheet	Government subsidies	Amount for the period	Amount for the previous period	Items recorded in current profit or loss or offsetting relevant costs or losses
Deferred income	**12,351,000.00**	**1,519,432.61**	1,676,533.77	High-speed Optical Transceivers Project (Phase I)
Deferred income	**320,000.00**	**—**	46,032.49	Minhang District Major Industrial Research Project
Deferred income	**450,000.00**	**—**	36,280.88	4G/5G Distributed Enterprise-Level Small Cell Development Project
Deferred income	**32,370,000.00**	**4,145,278.78**	—	Cambridge Industries Group Optoelectronic Industrialization Base Project Subsidy
Deferred income	**6,757,095.00**	**—**	—	Cambridge Phase II Leased Factory Ancillary Facilities Adaptation, Renovation and Upgrade Subsidy Award
Total	**120,186,975.00**	**8,999,987.87**	7,370,216.69	—

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

1. Risks of Financial Instruments

Main financial instruments of the Company include monetary funds, notes receivable, accounts receivable, receivable financing, other receivables, other current assets, other non-current financial assets, notes payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, lease liabilities and long-term payables. The details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled to a limited extent.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

1. Risks of Financial Instruments (Continued)

1. *Risk Management Objectives and Policies*

Risks associated with the financial instrument of the Company mainly include credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risk).

(1) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk mainly arises from monetary funds, notes receivable, accounts receivable, receivable financing, other receivables, as well as debt instrument investments and derivative financial assets that are not included in the scope of impairment assessment and measured at fair value through profit or loss. On the balance sheet date, the carrying amount of the Company's financial assets has represented its maximum credit risk exposure;

The Company's monetary funds are mainly bank deposits deposited in state-owned banks with good reputation and high credit ratings, as well as other large and medium-sized listed banks. The Company believes that there is no significant credit risk and there is almost no significant loss caused by bank default.

In addition, the Company sets relevant policies to control credit risk exposure for notes receivable, accounts receivable, receivable financing, contract assets, and other receivables. The Company assesses the credit qualifications of customers and sets corresponding credit periods based on their financial status, the possibility of obtaining guarantees from third parties, credit records, and other factors such as current market conditions. The Company will regularly monitor customer credit records. For customers with poor credit records, the Company will adopt written reminders, shorten or cancel the credit period, to ensure that the Company's overall credit risk is within a controllable range.

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

1. Risks of Financial Instruments (Continued)

1. *Risk Management Objectives and Policies (Continued)*

(2) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement.

The Company's policy is to ensure that it has sufficient cash to repay its debts as they fall due. Liquidity risk is centrally controlled by the financial department of the Company. The finance department ensures that the Company has sufficient funds to repay its debts under all reasonable forecasts by monitoring cash balances, marketable securities that can be realized at any time, and rolling forecasts of cash flows for the next 12 months. At the same time, it continuously monitors whether the Company complies with the provisions of the borrowing agreement and obtains commitments from major financial institutions to provide sufficient reserve funds to meet short-term and long-term funding needs.

(3) Market risk

Market risk of financial instruments refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market prices, including interest rate risk, exchange rate risk, and other price risks.

1) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates.

Interest-bearing financial instruments with fixed and floating interest rates expose the Company to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the ratio of fixed and floating interest rate instruments based on market environment, and maintains an appropriate combination of fixed and floating interest rate instruments through regular review and monitoring. When necessary, the Company will use interest rate swap tools to hedge interest rate risk.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

1. Risks of Financial Instruments (Continued)

1. Risk Management Objectives and Policies (Continued)

(3) Market risk (Continued)

2) Exchange rate risk

Exchange rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in foreign exchange rates.

The Company continuously monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimize the foreign currency risks it faces. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to avoid exchange rate risk. During the period and the previous period, the Company has not entered into any forward exchange contract or currency swap contract.

3) Other price risks

Other price risks refer to the risk that the fair value or future cash flows of financial instruments will fluctuate due to market price changes other than exchange rate risk and interest rate risk.

2. Capital Management

The objective of the Company's capital management policy is to safeguard the Company's ability to continue as a going concern, thereby providing returns to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the method of financing, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or sell assets to reduce debt.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

XI. FAIR VALUE DISCLOSURE

Fair value at the end of the period for assets and liabilities measured at fair value

Unit: Yuan Currency: RMB

Item	Fair Value at the end of the period Level 1 fair value	Level 2 fair value	Level 3 fair value	Total
I. Continuous fair value measurement				
(I) Financial assets held for trading	10,006,515.78			10,006,515.78
1. Financial assets at fair value through profit or loss	10,006,515.78			10,006,515.78
(1) Derivative financial assets	10,006,515.78			10,006,515.78
(II) Other non-current financial assets			21,560,490.00	21,560,490.00
Total assets continuously measured at fair value	10,006,515.78		21,560,490.00	31,567,005.78

XII. RELATED PARTIES AND ASSOCIATED TRANSACTIONS

1. Parent Company of the Enterprise

Unit: '0,000 Currency: USD

Name of Parent Company	Place of Registration	Business Nature	Registered Capital	Shareholding Ratio of the Parent Company in the Company (%)	Voting Right Ratio of the Parent Company in the Company (%)
CIG Cayman	Cayman	Trade	21.00	8.02	8.02

The ultimate controlling party of the Company is Gerald G Wong

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

XII. RELATED PARTIES AND ASSOCIATED TRANSACTIONS (CONTINUED)

2. Subsidiaries of the Company

Details on subsidiaries of the Company are as seen in Note X.1

3. Joint ventures and associates of the Company

Details of the joint ventures and associates are as seen in Note X.3

Other joint ventures or associates that have related party transactions with the Company in the current period, or have related party transactions with the Company in the prior period to form a balance are as follows:

Name of Joint Venture or Associate	Relationship with the Company
Nanjing Casela Technologies Corporation Limited	Associate
Yangzhong Xingfu Jiayuan Venture Capital Partnership	Associate

4. Associated transactions

(1) *Associated transactions involving the purchase and sale of goods, and the provision and receipt of services*

Statement of purchases of goods and receipt of services

Unit: Yuan Currency: RMB

Related Party	Details of Associated Transactions	Amount for the Current Period	Approved Transaction Limit (if applicable)	Whether Exceeding Transaction Limit (if applicable)	Amount for the Previous Period
Nanjing Casela Technologies Corporation Limited	Raw materials	5,938,809.64			0.00

(2) *Key Management Personnel Compensation*

Unit: '0,000 Currency: RMB

Item	**Amount for the Current Period**	Amount for the Previous Period
Key Management Personnel Compensation	**435.44**	465.48

XIII. SHARE-BASED PAYMENTS

1. Each Equity Instrument

(1) Details of items

Quantity Unit: '0,000 shares Amount Unit: '0,000 Currency: RMB

Category of Grantees	Granted during the period Quantity	Granted during the period Amount	Exercised during the period Quantity	Exercised during the period Amount	Unlocked during the period Quantity	Unlocked during the period Amount	Lapsed during the period Quantity	Lapsed during the period Amount
Directors and senior management	4.3650	496.34	—	—	—	—	—	—
Core management and technical (business) personnel	395.4400	44,965.48	—	—	—	—	—	—
Total	399.8050	45,461.82	—	—	—	—	—	—

Note: The difference from the disclosure in the corporate announcement is due to rounding to two decimal places.

(2) Share options or other equity instruments outstanding at the end of the period

Category of Grantees	Share Options Outstanding at the end of the Period: Range of Exercise Price	Share Options Outstanding at the end of the Period: Remaining Contract Term	Other Equity Instruments Outstanding at the end of the Period: Range of Exercise Price	Other Equity Instruments Outstanding at the end of the Period: Remaining Contract Term
Directors and senior management	RMB29.1848/ share	As detailed in notes	None	None
Core management and technical (business) personnel	RMB29.1848/ share	As detailed in notes	None	None
Directors and senior management	RMB113.71/ share	As detailed in notes	None	None
Core management and technical (business) personnel	RMB113.71/ share	As detailed in notes	None	None

XIII. SHARE-BASED PAYMENTS (CONTINUED)

1. Each Equity Instrument (Continued)

(2) Share options or other equity instruments outstanding at the end of the period (Continued)

Range of exercise prices and remaining contract terms for other equity instruments at the end of the period:

1. The 2024 Stock Option Incentive Plan has a validity period from the date of authorization until all stock options granted to incentive recipients have been exercised or cancelled, with a maximum period not exceeding 36 months. The initially granted stock options are exercisable in two tranches after 12 months from the date of authorization, with the exercise ratio for each tranche being 50%; the reserved stock options are exercisable in two tranches after 12 months from the date of authorization, with the exercise ratio for each tranche being 50%. The first tranche completed registration on November 19, 2025, and became listed and tradable on November 26, 2025. Of the 15.5930 million stock options granted, 7.568532 million have been exercised.

2. The 2026 Stock Option Incentive Plan has a validity period from the date of authorization until all stock options granted to incentive recipients have been exercised or cancelled, with a maximum period not exceeding 48 months. The initially granted stock options are exercisable in three tranches after 12 months from the date of authorization, with the exercise ratios for each tranche being 30%, 30%, and 40% respectively; the reserved stock options are exercisable in two tranches after 12 months from the date of authorization, with the exercise ratio for each tranche being 50%. On June 18, 2026, the Company completed the registration procedures for the grant of this incentive plan at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, registering 3.998050 million stock options.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

XIII. SHARE-BASED PAYMENTS (CONTINUED)

2. Equity-settled share-based payments

Unit: Yuan Currency: RMB

Equity-settled share-based payment recipients	Directors, senior management, and core management and technical (business) personnel of the Company (including its subsidiaries) who receive incentive equity in accordance with the Company's incentive plan
Method for determining the fair value of equity instruments at grant date	For restricted stocks, the basis for calculating equity incentive expenses is the difference between the closing stock price on the grant date and the grant price. For stock options, the data as calculated using the Black-Scholes model serves as the basis for calculating equity incentive expenses.
Significant parameters for the fair value of equity instruments at grant date	Closing price on the stock grant date
Basis for determining the number of exercisable equity instruments	Best estimate of the expected exercisable options
Reasons for significant differences between current and prior period estimates	None
Cumulative amount of equity-settled share-based payments recognized in capital reserves	83,468,073.67

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

XIII. SHARE-BASED PAYMENTS (CONTINUED)

3. Share-based payment expenses for the period

Unit: Yuan Currency: RMB

Category of grantees	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Directors, senior management, and core management and technical (business) personnel	2,083,933.36	—
Total	2,083,933.36	—

XIV. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

Significant external commitments outstanding at the balance sheet date, including their nature and amounts

CAMBRIDGE INDUSTRIES USA INC., a wholly-owned subsidiary of the Company, has concluded a house leasing contract with SCS DEVELOPMENT JV LLC (hereinafter referred to as "SCS"). The Company leases the premises located at 2445 Augustine Drive, Santa Clara, CA 95054, USA, from SCS for its office and electronic laboratory purposes. It has a gross floor area of approximately 5,709.54 square meters, with a lease term of 96 months. The rent increases by 3% every 12 months, starting from November 1, 2023. The total contract amount is USD28,106,700. As at June 30, 2026, the Company has paid a cumulative rent of USD8,718,300.

2. Contingencies

☐Applicable √Not applicable

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

XV. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit distribution

Unit: Yuan Currency: RMB

Profit or dividend to be distributed	33,142,533.57
Profit or dividends declared after consideration and approval	—

The Company considered and approved the "2026 Interim Profit Distribution Plan" at the 34th meeting of the 5th session of the Board held on August 24, 2026. The Company plans to distribute profits for the first half of 2026 based on the total share capital registered on the record date for the implementation of the equity distribution. In accordance with the "2026 Interim Cash Dividend Proposal" approved at the 2025 Annual General Meeting and taking into account the Company's operating performance for the first half of the year, the profit distribution plan is as follows: based on the total share capital of the Company on the record date for the implementation of the equity distribution, the Company plans to distribute a cash dividend of RMB0.09 per share (tax inclusive) to all shareholders, with no bonus share issue or capital reserve conversion into share capital. As of June 30, 2026, the Company's total share capital was 368,250,373 shares, based on which the total proposed cash dividend amounted to RMB33,142,533.57 (tax inclusive). The cash dividend payout ratio for the first half of 2026 (i.e., the ratio of the total proposed cash dividend for the first half of 2026 to the net profit attributable to shareholders of the listed company in the consolidated financial statements for the first half of 2026) was 10.11%.

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

XV. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

2. Explanation of other events after the balance sheet date

(1) On July 24, 2026, the Company convened the 12th meeting of the Strategy and ESG Committee of the 5th session of the Board and the 33rd meeting of the 5th session of the Board respectively, which considered and approved the "Proposal on Participating in the Establishment of an Investment Fund and Co-investing with Professional Investment Institutions" (this transaction does not require submission to the Company's Shareholders' meeting for consideration). In order to strengthen the Company's presence in the optical component, chip and core IC sectors, enhance its technological capabilities and supply chain resilience, increase downstream market coverage, expand market influence, diversify the Company's investment portfolio and maximise strategic and operational synergies, the Company entered into the "Partnership Agreement of Jiaxing Hujiang Optoelectronic Industry Fund Partnership (Limited Partnership)" with Shanghai Zhifengzhizi Private Fund Management Co., Ltd. The Company (as a limited partner), using its self-owned funds, invested RMB800 million in Jiaxing Hujiang Optoelectronic Industry Fund Partnership (Limited Partnership) (subject to the final name as approved by the market registration authority) (hereinafter referred to as "Jiaxing Hujiang Optoelectronic"), representing 99.9988% of the total subscribed capital contribution. Jiaxing Hujiang Optoelectronic will primarily invest in the equity of unlisted enterprises in emerging industries such as advanced manufacturing and information technology, including integrated circuits (IC) and artificial intelligence (with a focus on enterprises in the optical component, chip and core IC sectors), as well as ordinary shares of listed companies within the same industry chain as the Company that are issued and traded on a non-public basis (including private placements, block trades and negotiated transfers), and may utilise no more than 20% of the total committed capital to invest in other private equity investment funds registered with the Asset Management Association of China. Subject to compliance with relevant laws, regulations and regulatory requirements, the Partnership may participate in equity investments in high-quality overseas technology enterprises and the allocation of overseas assets. Upon completion of this transaction, Jiaxing Hujiang Optoelectronic will be consolidated into the consolidation financial statements of the Company. For details, please refer to the "Discloseable Transaction — Formation of Partnership" disclosed by the Company on July 24, 2026. On August 11, 2026, Jiaxing Hujiang Optoelectronic completed its industrial and commercial registration and obtained the business license issued by the Jiashan County Market Supervision Administration, with the final name approved by the market registration authority being Jiaxing Hujiang Equity Investment Partnership (Limited Partnership). The application for private investment fund filing and registration is currently in progress, and the Company will make timely information disclosure upon any progress.

XV. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

2. Explanation of other events after the balance sheet date (Continued)

(2) In order to establish and improve the Company's long-term incentive mechanism, with a special focus on the Group's overseas employees, to attract and retain outstanding international talent, fully motivate the Company's overseas employees, attract more high-quality international talents, and effectively align the long-term interests of Shareholders, the Company and the Group's employees, with a view to accelerating the Company's international expansion and promoting its long-term development, the Company convened the 9th meeting of the Remuneration and Evaluation Committee of the 5th session of the Board, the 16th meeting of the Audit Committee of the 5th session of the Board and the 34th meeting of the 5th session of the Board on August 24, 2026, which considered and approved the "Proposal on Granting Restricted Shares under the H Share Incentive Scheme". Pursuant to the "Proposal on the Proposed Adoption of the H Share Restricted Share Scheme of CIG SHANGHAI CO., LTD." approved at the 2025 Annual General Meeting and the relevant authorisations granted thereunder, the Company granted an aggregate of 2,285,000 H Share Incentive Shares under the H Share Incentive Scheme to 91 Employee Participants (including one Director of the Company, two associates of Directors and the 88 other employees), subject to acceptance by the Selected Participants. The purchase price of the Incentive Shares is nil, and they shall vest in instalments over a period of three years from the date of grant. Vesting of the Incentive Shares is subject to the Selected Participants achieving certain performance targets. For details, please refer to the "Grant of Incentive Shares under the H Share Incentive Scheme" disclosed by the Company on August 24, 2026.

XVI. OTHER SIGNIFICANT MATTERS

☐Applicable √Not applicable

Notes to the Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2026

XVII. SUPPLEMENTARY INFORMATION

1. Details of current non-recurring gains and losses

Unit: Yuan Currency: RMB

Item	Amount	Note
Gains or losses from disposal of non-current assets, including the written-off part for which provision for asset impairment has been made	−77,357.41	
Governmental subsidies recorded into the current profits or losses, except for those that are closely associated with normal business operations of an enterprise, comply with national policies and regulations, are enjoyed according to established criteria, and have a continuous impact on the profits or losses of an enterprise	13,542,910.61	
Other non-operating revenue and expenses other than the above items	−1,826,750.05	
Less: Effect of income tax	1,803,713.23	
Effect of non-controlling interests (after tax)	1,580,786.59	
Total	8,254,303.33	

2. Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share: Basic earnings per share	Earnings per share: Diluted earnings per share
Net profit attributable to common shareholders of the Company	4.32	0.93	0.93
Net profit attributable to common shareholders of the Company after deduction of non-recurring gains and losses	4.21	0.91	0.91