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Application Proof of

CIG

CIG SHANGHAI CO., LTD.
上海劍橋科技股份有限公司

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

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CIG SHANGHAI CO., LTD.
上海劍橋科技股份有限公司

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

[REDACTED]

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

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

[REDACTED]

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The [**REDACTED**] and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**] and the [**REDACTED**]) may, where considered appropriate and with our consent, reduce the number of [**REDACTED**] and/or the indicative [**REDACTED**] range at any time on or prior to the morning of the last day for lodging [**REDACTED**] under the [**REDACTED**]. In such a case, notices of the reduction in the number of [**REDACTED**] and/or the indicative [**REDACTED**] range will be published as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging [**REDACTED**] under the [**REDACTED**]. Such notices will also be available on the website of our Company at **www.cigtech.com** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**. Further details are set forth in "Structure of the [**REDACTED**]" and "How to Apply for [**REDACTED**]".

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CONTENTS

This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this Document. You should read the entire Document before you decide to [**REDACTED**] *in the* [**REDACTED**]. *There are risks associated with any* [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in the section headed "Risk Factors" in this Document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

We are an inherently global, and industry-leading, company that provides critical infrastructure components for the development of AI. According to F&S, we are one of the few global companies that are offering high-efficiency and instant connectivity solutions across photonics, broadband, and wireless technologies. We also ranked 5th in the global integrated optical and wireless connectivity devices ("**OWCD**") industry in 2024, in terms of sales revenue.

The following chart demonstrates our outstanding achievements:

Notes:

1. In the global OWCD industry.
2. For the year ended December 31, 2024.
3. As of December 31, 2024.
4. During the Track Record Period.

During the Track Record Period, we generated our revenue primarily from the sales of our solutions in (i) photonics; (ii) broadband; and (iii) wireless technologies. The following snapshot highlights our key solutions, emphasizing their adaptability and application potential as components of the world's end-to-end infrastructure that supports AI:

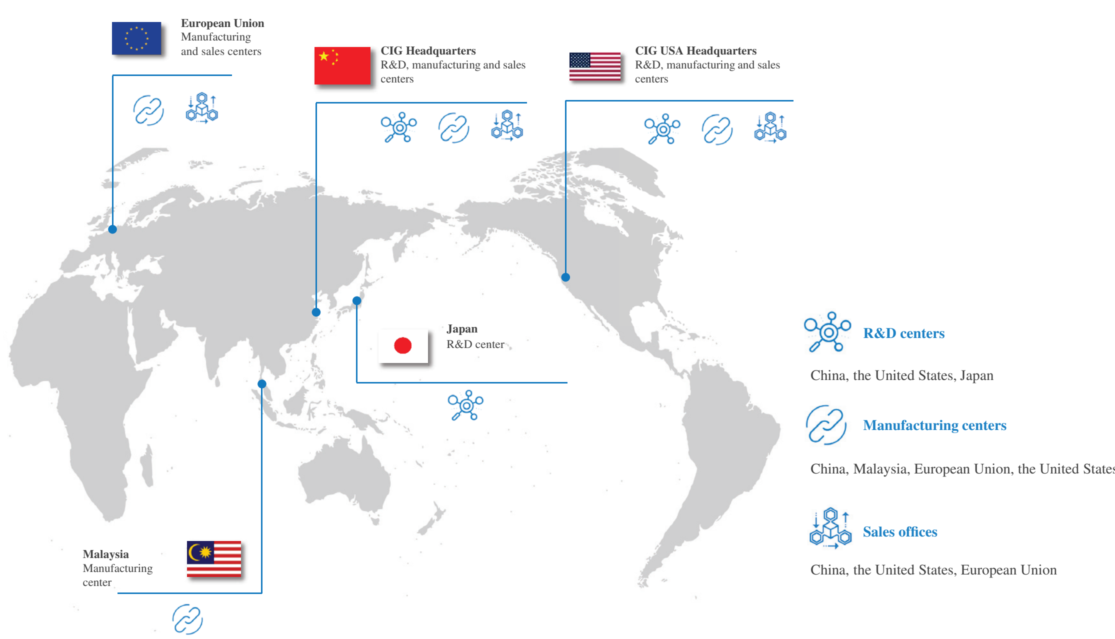
Our photonics solutions are capable delivering efficient connectivity and seamless communication within and between computing clusters. According to F&S, we were among the first in the global OWCD industry to develop 800G and 1.6T photonics products. Furthermore, our 800G optical module represented the most advanced mass-produced photonics products worldwide as of the Latest Practicable Date, and our 1.6T optical module is currently one of the leading research products in the industry. We were also among the first in the industry to develop a number of notable technologies, such as (i) silicon photonics based module technology, which facilitates the creation of high transmission rate products that can perform high integration at low cost and low power consumption; (ii) our proprietary linear pluggable optics ("**LPO**") technology, leading the industry with low power consumption, low latency, reduced costs, and improved performance; and (iii) our packaged laser and silicon photonics engine (i.e., ELS, external light source) for co-packaged optics technology (which is still in development), that can integrate the network and photonic engine into a single slot, drastically reducing the distance between the switch chip and the photonic engine, and lead to substantial cost reductions.

Our high-speed broadband solutions are capable of delivering efficient data transmission of large volumes of data between computing clusters and users. As of December 31, 2024, our XGS PON products (which represent the latest generation of mainstream 10GPON technology in the broadband field) occupied over 30% of the global 10GPON market, in terms of shipping volume. We were also among the first to achieve mass production of 25GPON worldwide and are among the pioneers in developing 50GPON. As of the Latest Practicable Date, our 25GPON was the fastest mass-produced product globally, while our 50GPON was poised to become the next-generation mainstream product in the broadband field.

Our wireless solutions are capable of delivering high bandwidth, fast transmission speeds, and low network latency between computing clusters and end users. We were among the first in the global OWCD industry to develop and mass-produce Wi-Fi 7 products. We have also introduced, in collaboration with Google Fiber, this industry's first 20G uplink Wi-Fi 7 gateway, which delivers network services exceeding 10Gb/s, enhances high-speed interconnectivity, and delivers broad coverage for home and small business owners. Currently, we are conducting R&D on Wi-Fi 8, the next-generation mainstream product in the Wi-Fi field.

OUR INHERENT NATURE OF GLOBAL PRESENCE

Our Company is inherently global, rooted in a rich heritage, equipped with advanced capabilities, and driven by a long-term globalization strategy. Our founders and management team also bring highly globalized educational backgrounds and professional experiences. Notably, our founder, Mr. Gerald G Wong, is an MIT graduate and he served at AT&T Bell Labs (which later became Lucent Technologies Bell Labs) and as a vice president of Lucent Technologies, managing the Network Department's products. In addition, we have strategically acquired certain assets in photonics technology and R&D personnel from MACOM and Lumentum, two renowned optical communication companies in the United States. Through such acquisitions, we have positioned ourselves as leaders in the photonics market. Furthermore, through our acquisition of Actiontec, we have strengthened our software development capabilities and offerings in North America, further solidifying our position in the industry. Our global presence is guided by our 'multi-local' strategy, leveraging localized capabilities and resources in various countries and regions, maximizing talent utilization, and ensuring proximity to our customers. This strategy has enabled us to establish a fully globalized value chain in R&D, production, supply chain, and sales. The following diagram highlights our global R&D, manufacturing, and sales layout as of Latest Practicable Date:



R&D AND INTELLIGENT MANUFACTURING EXPERTISE

We believe that continuous investment in R&D is a key to maintaining our technological leadership. As of December 31, 2024, our R&D team comprised 630 members, representing over 50% of our total workforce. During the Track Record Period, our R&D expenses represented 7.1%, 8.9%, and 8.8% of our total revenue, respectively, and our cumulative R&D investments during the Track Record Period exceeded RMB1.2 billion. According to F&S, both our R&D personnel ratio and investment levels rank among the highest in the global OWCD industry. We have established R&D centers in China, the United States, and Japan, forming excellent local teams that can leverage our global R&D resources. Researchers and developers from different centers regularly engage in cross-functional teams, sharing insights and expertise. This global collaboration is essential in driving our R&D excellence.

In terms of our manufacturing capabilities, our in-house facility is recognized for its advanced and automated technologies, such as being recognized as the Innovative Enterprise Headquarters of Shanghai, the Shanghai Intelligent Factory, and one of the Shanghai Top 100 Manufacturing Enterprises. We were also among the first in the global OWCD industry to establish intelligent manufacturing facilities, according to F&S. By leveraging the experience accumulated at our in-house facility, and through our co-location manufacturing model, we have been able to replicate such advanced technologies and processes at our co-location sites in China, Malaysia, the United States, and Europe. This allows us to effectively control our production costs and adjust our production capacity in response to industry cycles, demand surges, and potential regional risks.

Our strive to constantly advance our R&D and intelligent manufacturing expertise has allowed us to position ourselves far beyond traditional contract manufacturing (which is often limited to executing predefined designs). Instead, our joint design manufacturing ("**JDM**") and original design manufacturing ("**ODM**") models have leveraged advanced capabilities in product innovation and development to deliver solutions that set us apart in the industry. Both models rely on demonstrating exceptional capabilities and earning the trust of major customers by meeting stringent standards. This is exactly where we excel.

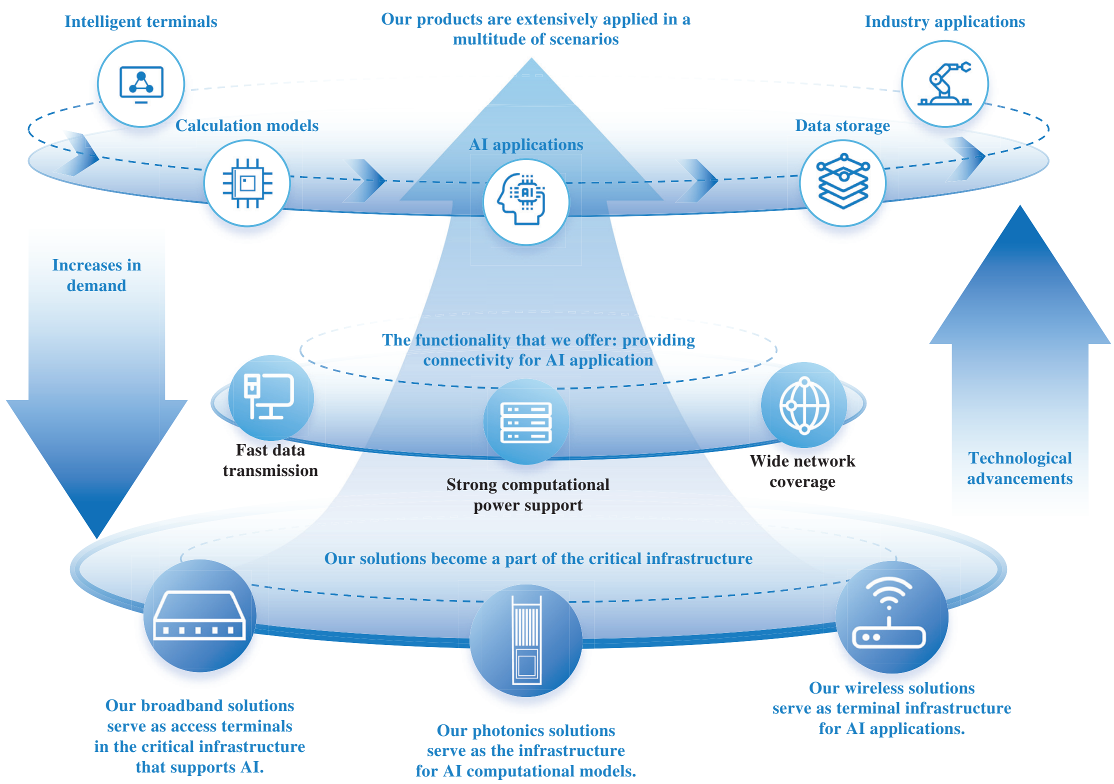
CUSTOMERS AND SUPPLIERS

During the Track Record Period, our major customers comprised mostly information and communication technology manufacturers. For the years ended December 31, 2022, 2023, and 2024, the revenue generated from our five largest customers during the Track Record Period amounted to RMB2,398.5 million, RMB2,122.7 million, and RMB2,737.6 million, representing 63.5%, 68.8%, and 74.9% of our total revenue, respectively. Our major suppliers during the Track Record Period comprised mostly providers of telecommunications parts and components. For the years ended December 31, 2022, 2023, and 2024, purchases from our five largest suppliers amounted to RMB1,130.5 million, RMB709.7 million, and RMB1,089.4 million, representing 34.0%, 35.3%, and 38.8% of our total purchases, respectively.

MARKET OPPORTUNITIES AND COMPETITIVE LANDSCAPE

According to F&S, from 2020 to 2024, the global sales revenue of the OWCD industry increased from USD32.4 billion to USD54.6 billion, with a CAGR of 13.9%. It is projected to reach USD111.8 billion by 2029, representing a CAGR of 15.4% from 2024 onwards. The recent explosive growth of AI applications has created a growing need for connectivity solutions that ensure fast, low-latency, and high-capacity data transmission to support the future of AI development.

The following diagram illustrates how our solutions empower a diverse array of applications in this era of AI development:



To this end, we also believe that we are well-positioned to seize the following opportunities in this era of AI advancement:

- **Massive AI infrastructure investments:** Significant investments in AI infrastructure are expected in the coming years. For example, the United States government launched the "Stargate Initiative" in 2025 to expand AI-supporting infrastructure with a commitment of USD500 billion over four years. Global tech giants are also projected to invest over USD400 billion in AI infrastructure within the next three years.

- **Decentralization of computing networks with lightweight AI models:** The rise of lightweight AI models and open-source platforms has made AI technology more accessible. This allows small and medium-sized businesses to create their own AI models and local data centers, reducing dependency on external resources. The democratization of AI enables smaller companies to innovate and improve operations, increasing demand for small and medium-sized data centers.

- **Rapid proliferation of AI applications:** The widespread adoption of advanced AI models and decreased costs have led to a surge in global data traffic and demand for higher-end broadband, wireless, and industrial IoT equipment.

In terms of market competition, the global integrated OWCD industry is relatively competitive with a total market size of USD12.4 billion in 2024. The top five players had an aggregate of 29.0% of the market share in the industry in terms of sales revenue. Our Company ranked 5th among all players, with a market share of 4.1% in global integrated OWCD industry.

OUR COMPETITIVE STRENGTHS AND FUTURE STRATEGIES

Our achievements to date and the foundation for our future growth are driven by several competitive advantages, including (i) our visionary management and R&D teams, and their international backgrounds and profound industry insights, which have driven us to groundbreaking R&D breakthroughs; (ii) our position as experts in connectivity solutions that can drive AI growth; (iii) our inherent nature as a global company, with a fully globalized value chain layout; (iv) our flexible and efficient business models, which has driven us to success; and (v) our capability and success in scaling-up our manufacturing capabilities around the globe.

We are committed to preserving our status as market leaders and to fostering our financial and operational expansion to this end, we intend to (i) continue attracting top global talent to enhance our overall competitiveness; (ii) increase our R&D investments to maintain our leading edge in the industry; (iii) optimize our global production capacity layout and continue to invest in intelligent manufacturing to meet the demand of our customers; and (iv) further expand our globally localized sales network.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth a summary of results of operations:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	**3,783,739**	**100.0**	**3,085,362**	**100.0**	**3,649,889**	**100.0**
Cost of sales	(3,095,104)	(81.8)	(2,421,267)	(78.5)	(2,887,642)	(79.1)
Gross profit	**688,635**	**18.2**	**664,095**	**21.5**	**762,247**	**20.9**
Other income, net	20,006	0.5	18,882	0.6	49,663	1.4
Other gains, net	34,776	0.9	31,133	1.0	24,458	0.7
Research and development expenses	(270,376)	(7.1)	(275,799)	(8.9)	(320,368)	(8.8)
Selling and marketing expenses	(58,106)	(1.5)	(70,484)	(2.3)	(90,065)	(2.5)
General and administrative expenses	(206,271)	(5.5)	(217,488)	(7.0)	(208,259)	(5.7)
Reversal/(Provision) of expected credit loss, net	27,751	0.7	4,698	0.2	(1,351)	(0.1)
Finance costs	(57,903)	(1.5)	(61,123)	(2.0)	(52,890)	(1.4)
Profit before income tax	**178,512**	**4.7**	**93,914**	**3.1**	**163,435**	**4.5**
Income tax (expense)/credit	(7,406)	(0.2)	1,051	0.0	3,606	0.1
Profit for the year	**171,106**	**4.5**	**94,965**	**3.1**	**167,041**	**4.6**

The following table sets forth a breakdown of our sales volume, revenue, gross profit, and gross profit margin by such types of solutions for the years indicated:

	For the year ended December 31,																	
	2022						2023						2024					
	Sales volume		Revenue		Gross profit	Gross profit margin	Sales volume		Revenue		Gross profit	Gross profit margin	Sales volume		Revenue		Gross profit	Gross profit margin
	Units'000	*%*	*RMB'000*	*%*	*(RMB'000)*	*(%)*	*Units'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*Units'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Photonics solutions	890	6.5	478,215	12.6	131,886	27.6	587	6.0	446,680	14.5	130,166	29.1	356	2.8	491,527	13.5	119,063	24.2
Broadband solutions	10,169	74.0	2,059,278	54.5	306,581	14.9	7,559	77.6	1,827,146	59.2	356,432	19.5	9,580	74.7	2,032,689	55.7	377,832	18.6
Wireless solutions	2,018	14.7	1,056,051	27.9	210,583	19.9	1,220	12.5	718,518	23.3	165,042	23.0	2,570	20.0	1,052,400	28.8	259,054	24.6
Others	671	4.8	190,195	5.0	39,585	20.8	376	3.9	93,018	3.0	12,455	13.4	319	2.5	73,273	2.0	6,298	8.6
Total/overall	**13,748**	**100.0**	**3,783,739**	**100.0**	**688,635**	**18.2**	**9,742**	**100.0**	**3,085,362**	**100.0**	**664,095**	**21.5**	**12,825**	**100.0**	**3,649,889**	**100.0**	**762,247**	**20.9**

In general, fluctuations in our revenue during the Track Record Period were in line with the changes in the demand for our solutions and the sales volume of our products. For instance, in the year ended December 31, 2023, with gradual post-pandemic recovery of global economy, some of our major customers were still in the process of consuming inventories accumulated during the pandemic, resulting in a postponed demand for our solutions and a moderate decline in our revenue.

The following table sets forth a summary of our consolidated statements of financial position:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	1,405,278	1,481,032	1,555,643
Current assets	3,831,892	3,254,886	3,633,171
Total assets	**5,237,170**	**4,735,918**	**5,188,814**
Non-current liabilities	196,185	209,814	298,821
Current liabilities	3,115,468	2,238,143	2,429,004
Total liabilities	**3,311,653**	**2,447,957**	**2,727,825**
Net current assets	**716,424**	**1,016,743**	**1,204,167**
Net assets	**1,925,517**	**2,287,961**	**2,460,989**

The following table sets forth a summary of our consolidated statements of cash flows:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	56,255	142,942	561,970
Net cash used in investing activities	(193,641)	(204,545)	(293,948)
Net cash generated from/(used in) financing activities	231,772	93,083	(200,733)
Net increase in cash and cash equivalents	94,386	31,480	67,289
Cash and cash equivalents, beginning of year	225,311	354,707	417,977
Effect of exchange rate changes on cash and cash equivalents	35,010	31,790	22,075
Cash and cash equivalents, end of year	**354,707**	**417,977**	**507,341**

The following table sets forth a summary of our key financial ratios:

	As of/for the year ended December 31,		
	2022	2023	2024
Return on equity	9.3%	4.5%	7.0%
Return on assets	3.8%	1.9%	3.4%
Gearing ratio	65.6%	58.4%	50.4%
Gross profit margin	18.2%	21.5%	20.9%
Net profit margin	4.5%	3.1%	4.6%
R&D to revenue ratio	7.1%	8.9%	8.8%

DIVIDEND AND DIVIDEND POLICY

Pursuant to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2023 Revision) (《上市公司監管指引第3號 —上市公司現金分紅(2023年修訂)》) and Articles of Association, within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average distributable profits realized in the latest three years. The specific dividend ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general shareholders' meeting. Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant. During the Track Record Period, we had declared and paid interim dividends totalling RMB8.0 million and final dividends totalling RMB35.7 million to our A Shareholders for the year ended December 31, 2024. We had also declared dividends totalling RMB59.0 million for the year ended December 31, 2024, which had not been paid as of the Latest Practicable Date.

USE OF [REDACTED]

We estimate the net [**REDACTED**] of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this Document), will be approximately HK$[**REDACTED**], after the deduction of [**REDACTED**] and estimated expenses payable by us in connection with the [**REDACTED**], and assuming that the [**REDACTED**] is not exercised.

In line with our future strategies, we intend to use our [**REDACTED**] from the [**REDACTED**] for the following purposes assuming the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range):

- [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to enhance our production capabilities. In particular, (i) [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used in relation to our photonics solutions, including our 800G/1.6T products; (ii) [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used in relation to our broadband solutions, including our 50G/25GPON products; and (iii) [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used in relation to our wireless solutions, including our Wi-Fi 7 and Wi-Fi 8 products;

- [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to further enhance our R&D talents and skills. In particular, (i) [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to recruitment; (ii) [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to support the continued R&D of our manufacturing technologies through acquiring advanced machinery and software; and (iii) [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to acquire essential materials to support our R&D efforts;

- [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used for business promotion and marketing. In particular, (i) [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to enhance our sales and marketing capabilities; and (ii) [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used for expanding our market presence;

- [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used for overseas strategic investments; and
- [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used for general corporate purposes, including working capital needs.

For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this Document.

SUMMARY OF RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in the section headed "Risk Factors" in this Document. Some of the major risks we face include: (i) we are engaged in a competitive industry, in which our operational and financial performance, financial condition, and future prospects may be affected by our competitors or changes in such competitive environment; (ii) our continuous success will rely on our R&D efforts; (iii) we may face risks associated with our global operations; (iv) the success of our customers is essential to our business; and (v) our success may depend on maintaining long term relationships with our major customers. You should read that section in its entirety carefully before you decide to [**REDACTED**] in our Shares.

RECENT DEVELOPMENT

Continued business growth

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business continued a generally positive growth trajectory, and we have received an increased market projections and purchase orders from our customers. In terms of manufacturing capabilities, Our co-location manufacturing facility in Europe had already commenced production and our co-location manufacturing facility in the United States had completed trial production. We are currently exploring the further expansion and diversification of our manufacturing capabilities by collaborating with our co-location partners. This includes the potential use of their skills and facilities in various locations, such as Mexico. In terms of R&D, we have also achieved some new breakthroughs with our photonics solutions, where a prototype based on the latest 3 nm DSP and silicon photonics based module technology has been live-demonstrated at the Optical Fiber Communication Conference and Exposition in San Francisco in April 2025.

Responding to the recent trade tariffs

Given the ongoing tensions in global trade relations, the international trade environment has become increasingly complex and volatile. Over the past six years, our Company has gradually expanded its production capacity in Malaysia, the United States and the Europe. As of the Latest Practicable Date, the production capacity of our co-location partners in Malaysia can fully meet the sales volume of products to be sold to the United States. We are now accelerating the expansion of our production capabilities as planned. As of the Latest Practicable Date, all of our relevant products that will be shipped from Malaysia to the United States are included in the latest list of products that are exempted from U.S. tariffs. Additionally, raw materials supplied domestically or sold to Malaysia are subject to zero tariffs. For products sold from China to the United States, the vast majority of orders use Free on Board ("**FoB**") or Free Carrier ("**FCA**") trade terms, meaning that shipping costs and tariffs are borne by the customers. For the small number of products for which our Company is responsible for shipping and tariffs, we have already communicated with customers to adjust sales prices to cover the additional tariff costs. Therefore, the current U.S. "reciprocal tariffs" have a limited direct impact on our Company. Moreover, for materials originated from the United States, we have adopted a direct shipment model to overseas manufacturing facilities, which is not affected by import tariffs imposed by the PRC, if any.

Based on the above considerations, it is our Directors' opinion that the imposition of trade tariffs and changes in global trade relations will not have a material and adverse impact on our results of operations and financial position.

No material adverse change

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2024, which is the end date of the years/period reported on in the Accountants' Report as set out in Appendix I to this Document, and there is no event since December 31, 2024 which would materially affect the information in the Accountants' Report as set out in Appendix I to this Document.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, (i) Mr. Gerald G Wong indirectly controlled approximately 13.64% of our A Shares held by CIG Cayman (a company wholly owned by Mr. Gerald G Wong); (ii) Mr. Zhao Haibo indirectly controlled approximately 2.78% of our A Shares held by Kangling Technology. The executive partner of Kangling Technology is Mr. Zhao Haibo (holding 19.80% partnership interest in it), and its limited partners consist of Ms. Qin Yan (Mr. Zhao Haibo's spouse, holding 0.20% partnership interest in it) and Kangling Management (a limited partnership holding 80.00% partnership interest in it). The executive partner of Kangling Management is Mr. Zhao Haibo (holding 90.00% partnership interest in it) and its limited partner is Ms. Qin Yan (Mr. Zhao Haibo's spouse, holding 10.00% partnership interest in it); and (iii) Mr. Gerald G Wong and Mr. Zhao Haibo are parties acting in concert pursuant to the Concert Party Agreement. Pursuant to the Hong Kong Listing Rules and Chapter 1.1C of the Guide for New Listing Applicants, Mr. Gerald G Wong, CIG Cayman, Mr. Zhao Haibo, Ms. Qin Yan, Kangling Technology and Kangling Management constitute our Single Largest Group of Shareholders, holding in aggregate approximately 16.42% of our A Shares as of the Latest Practicable Date. Apart from their respective investment (directly or indirectly) in our Company, none of the Single Largest Group of Shareholders has engaged in other business or operation.

Immediately following completion the [**REDACTED**], the Single Largest Group of Shareholders will in aggregate hold approximately [**REDACTED**]% of our Shares (assuming the [**REDACTED**] is not exercised, the options granted under the 2024 Share Option Incentive Scheme are not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]). For further details about our Single Largest Group of Shareholders, please refer to the section headed "Relationship with our Single Largest Group of Shareholders" in this Document.

[**REDACTED**]

[**REDACTED**] represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. Assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), [**REDACTED**] to be borne by us are estimated to be HK$[**REDACTED**], comprising: (i) [**REDACTED**], [**REDACTED**], SFC transaction levy, Stock Exchange trading fees, and AFRC transaction levy of HK$[**REDACTED**]; and (ii) [**REDACTED**] of HK$[**REDACTED**], which are further categorized into: (a) fees and expenses of legal advisers and accountants of HK$[**REDACTED**]; and (b) other fees and expenses of HK$[**REDACTED**]. Amongst the [**REDACTED**], HK$[**REDACTED**] was charged or is expected to be charged to our consolidated statements of profit or loss, and HK$[**REDACTED**] is expected to be deducted from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] are expected to represent approximately [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and that the [**REDACTED**] is not exercised. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE

Since November 10, 2017, our A Shares have been listed on the Shanghai Stock Exchange. Our Directors confirmed that, as of the Latest Practicable Date, we had no instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors' attention in relation to our compliance record on the Shanghai Stock Exchange. Our PRC Legal Adviser advised us that during the Track Record Period and up to the Latest Practical Date, we have not been subject to any substantial administrative penalties or regulatory measures imposed by PRC securities regulatory authorities and we have complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause it to cast doubt on our Directors' confirmation with regard to the compliance record of our Company on the Shanghai Stock Exchange in any material respect.

[REDACTED] STATISTICS

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

Notes:

(1) All statistics in the table are based on the assumption that the [**REDACTED**] is not exercised and the options granted under the 2024 Share Option Incentive Scheme are not exercised.

(2) The calculation of market [**REDACTED**] of our H Shares is based on the assumption that [**REDACTED**] H Shares will be in [**REDACTED**] immediately upon completion of the [**REDACTED**].

(3) The calculation of [**REDACTED**] of our Shares is based on the assumption that [**REDACTED**] H Shares will be in [**REDACTED**] immediately upon completion of the [**REDACTED**] and [268,041,841] A Shares are issued and outstanding immediately upon completion of the [**REDACTED**] with an average closing price of RMB31.98 during the five trading days of A Shares immediately preceding and including the Latest Practicable Date.

(4) The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated on the basis that [**REDACTED**] Shares were in [**REDACTED**] and after making the adjustments referred to in the section headed "Appendix II — Unaudited [**REDACTED**] Financial Information" in this Document.

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

"2022 Restricted Share Incentive Scheme"	the 2022 restricted share incentive scheme adopted by the then Shareholders on November 30, 2022, the principal terms of which are set out in "Statutory and General Information — Our Share Incentive Schemes — (a) 2022 Restricted Share Incentive Scheme" in Appendix VI to this Document
"2024 Share Option Incentive Scheme"	the 2024 share option incentive scheme adopted by the then Shareholders on August 26, 2024, the principal terms of which are set out in "Statutory and General Information — Our Share Incentive Schemes — (b) 2024 Share Option Incentive Scheme" in Appendix VI to this Document
"A Share(s)"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
"A Shareholder(s)"	holder(s) of our A Share(s)
"Accountants' Report"	the accountants' report of our Group for the Track Record Period as set out in Appendix I to this Document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the articles of association of our Company, as amended, which shall become effective on the [**REDACTED**], a summary of which is set out in Appendix V to this Document
"associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules

"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong

[**REDACTED**]

"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China, except where the content or context requires otherwise
"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 Holding"	Hong Kong CIG Holding Company, Limited, an investment holding company incorporated in June 2011 in Hong Kong, which was owned as to 50.40% by Mr. Gerald G Wong as of the Latest Practicable Date and accordingly is our connected person. For the avoidance of doubt, CIG Holding ceased to hold our Shares since August 14, 2023
"close associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	CIG SHANGHAI CO., LTD. (上海劍橋科技股份有限公司), a PRC company established on March 14, 2006, the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 603083)
"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. Please refer to the section headed "History, Development and Corporate Structure" in this Document for details
"connected person(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"core connected person(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"CSRC"	The China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》)
"ESG"	environmental, social and governance
"EU"	the European Union
"Euro", "EUR" or "€"	the lawful currency of the member states of the EU participating in the third stage of the EU's Economic and Monetary Union
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"F&S"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent global market research and consulting company
"F&S Report"	the report prepared by Frost & Sullivan

[**REDACTED**]

"Group", "our Group", "we", "us" or "our"	our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"H Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, to be [**REDACTED**] and [**REDACTED**] on the Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of our H Share(s)

[**REDACTED**]

"HK$", "Hong Kong dollars", or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

[**REDACTED**]

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"IFRS"	IFRS Accounting Standards, as issued by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Hong Kong Listing Rules

[**REDACTED**]

[**REDACTED**]

"International Sanctions"	the rules and regulations related to economic sanctions and export controls programs administered by the United States, the European Union, the United Nations, the United Kingdom and Australia

[**REDACTED**]

"JPY"	the Japanese Yen, the lawful currency of Japan
"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
"Kangling Technology"	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

"Latest Practicable Date"	April 18, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

"Listing of A Shares"	the listing of our A Shares on the Shanghai Stock Exchange on November 10, 2017
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"MOF" or "Ministry of Finance"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"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)
"Nomination Committee"	the nomination committee of the Board
"Non-public Issuance of A Shares"	the non-public issuance of A Shares by our Company on April 21, 2020, pursuant to which, we issued 24,224,806 new A Shares at an issue price of RMB30.96 per A Share to thirteen subscribers
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行)
"PRC Company Law"	the Company Law of the PRC, as amended, modified and/or otherwise supplemented from time to time
"PRC GAAP"	generally accepted accounting principles in mainland China
"PRC Government" or "State"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Adviser"	Beijing DeHeng Law Offices, the legal adviser of our Company as to the PRC laws

[**REDACTED**]

[**REDACTED**]

"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities Law"	the Securities Law of the People's Republic of China (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai

"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Single Largest Group of Shareholders"	Mr. Gerald G Wong, CIG Cayman, Mr. Zhao Haibo, Ms. Qin Yan (秦燕女士), Kangling Technology and Kangling Management as further detailed in "Relationship with our Single Largest Group of Shareholders"

[**REDACTED**]

"Sole Sponsor"	Guotai Junan Capital Limited, a licensed corporation registered under the SFO to carry on Type 6 (advising on corporate finance) regulated activity as defined in the SFO

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Strategy and ESG Committee"	the strategy and ESG committee of the Board
"subsidiary(ies)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Supervisor(s)"	member(s) of Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company

"Track Record Period"	the financial years ended December 31, 2022, 2023, and 2024
"Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), promulgated by the CSRC on February 17, 2023
"U.S.", "US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
"U.S. dollars", "US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder

[**REDACTED**]

"VAT"	value-added tax
"%"	per cent

Unless otherwise specified, in this Document:

1. *For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.*

2. *Certain amounts and percentage figures included in this Document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.*

* *For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this Document in connection with our Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

"1.6T"	1.6 Terabits per second
"100G"	100 Gigabits per second
"200G"	200 Gigabits per second
"25G"	25 Gigabits per second
"400G"	400 Gigabits per second
"4G"	fourth generation mobile network
"4T4R"	in telecommunications, 4T4R stands for 4 Transmitters and 4 Receivers, a configuration used in multiple input multiple output systems to enhance wireless communication performance
"50G"	50 Gigabits per second
"5G"	fifth generation mobile network
"800G"	800 Gigabits per second
"AI"	artificial intelligence
"AOI"	automatic optical inspection, i.e., a technology used in electronics manufacturing to visually inspect products for defects using advanced optics, cameras, and image processing software
"AP"	access points
"ATE"	automated test equipment, i.e., computerized machinery that uses test instruments to perform and evaluate functionality, performance, quality, and stress tests on electronic devices and systems
"BOM"	bill of materials

GLOSSARY OF TECHNICAL TERMS

"BOSA"	bi-directional optical sub-assembly covering both transmit and receiver, i.e., a process which converts optical signals to electrical signals
"CAGR"	compound annual growth rate
"CPS"	cyber-physical systems, i.e., integrated systems that combine computational algorithms and physical processes. These systems are tightly interconnected with the internet and their users, enabling real-time monitoring and control of physical processes
"DIP"	dual in-line package, i.e., a type of electronic component package with two parallel rows of pins used for mounting on a printed circuit board
"DSP"	digital signal processing, i.e., the manipulation of signals to improve or modify them using digital techniques
"DVT"	design validation testing, i.e., the process of testing a product to ensure it meets design specifications and requirements
"Enterprise AP"	enterprise-grade access points, i.e., high-performance wireless networking devices designed for use in business environments
"EPON"	ethernet passive optical network, i.e., a telecommunications technology that uses optical fiber to provide internet access
"ERP"	enterprise resource planning
"EVT"	engineering validation testing, i.e., the process of testing prototypes to verify that they meet engineering design requirements
"Gb/s"	gigabits per second
"GE"	gigabit ethernet
"GFA"	gross floor area
"GHz"	gigahertz

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

"GPON"	gigabit passive optical network, i.e., a telecommunications technology that uses optical fiber to deliver high-speed internet access
"GPU"	graphics processing unit
"IC"	integrated circuit
"ICT"	information and communication technology
"IEEE"	Institute of Electrical and Electronics Engineers
"IoT"	internet of things
"IT"	information technology
"ITU-T"	International Telecommunication Union
"JDM"	joint design manufacturing
"km"	kilometer
"LLM"	large language model, i.e., a type of artificial intelligence model designed to understand and generate human language
"LPO"	linear pluggable optics, i.e., optical transceivers used in telecommunications to convert electrical signals into optical signals and vice versa
"LTE"	long term evolution, i.e., a standard for wireless broadband communication for mobile devices and data terminals
"m"	meter
"MDU"	multiple dwelling units
"MES"	manufacturing execution system, i.e., software systems used to monitor and control manufacturing operations
"MHz"	megahertz

"MSO"	multiple system operator, i.e., a company that operates multiple cable television systems
"nm"	nanometer
"ODM"	original design manufacturing
"OLT"	optical line terminal, i.e., a device in a fiber-optic network that connects to the internet and distributes signals to optical network terminals
"ONT"	optical network terminal, i.e., a device that converts optical signals to electrical signals in a fiber-optic network
"O-RAN"	open radio access network, i.e., a network architecture that promotes interoperability and standardization in radio access networks
"ORM"	ongoing reliability monitoring, i.e., continuous monitoring of a system's reliability to ensure it meets performance standards
"ORT"	ongoing reliability testing, i.e., continuous testing of a system to verify its reliability over time
"OSFP"	octal small form factor pluggable, i.e., a type of optical transceiver used in high-speed data communication networks
"OWCD"	optical and wireless connectivity devices
"PCB"	printed circuit board
"PLC"	programmable logic controllers, i.e., industrial digital computers used to control manufacturing processes
"PLM"	product lifecycle management
"PON"	passive optical network, i.e., a telecommunications technology that uses fiber-optic cables to deliver internet services

"QSFP-DD"	quad small form factor pluggable double density, i.e., a type of optical transceiver used in high-speed data communication networks
"RAN"	radio access networks, i.e., the part of a telecommunications system that connects individual devices to the core network
"RFID"	radio frequency identification, i.e., a technology that uses electromagnetic fields to automatically identify and track tags attached to objects
"RGU"	residential gateway unit, i.e., a device that connects home networks to the internet
"RMA"	return material authorization, i.e., a process for returning defective products to the manufacturer for repair or replacement
"ROSA"	receiver optical sub-assembly, i.e., a process which converts optical signals to electrical signals
"SC"	subscriber connector, i.e., a type of fiber-optic connector used in telecommunications
"SFF"	small form factor, i.e., a designation for compact electronic devices or components
"SFP"	small form pluggable, i.e., a type of optical transceiver used in telecommunications
"SFU"	single family unit
"Silicon Valley"	a region in Northern California, the United States, known as a global center for high technology and innovation
"SMT"	surface-mount technology, i.e., a method for producing electronic circuits where components are mounted directly onto the surface of PCBs
"SOP"	standard operating procedure

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

"SPI"	serial peripheral interface, i.e., a communication protocol used for short-distance communication between microcontrollers and peripheral devices
"sq.m."	square meter
"SSM"	supplier synergism management
"TOSA"	transmit optical sub-assembly, i.e., a process which converts electrical signals to optical signals
"Wi-Fi"	wireless fidelity
"Wi-Fi 6"	sixth generation of Wi-Fi technology
"Wi-Fi 6E"	an extension of Wi-Fi 6
"Wi-Fi 7"	seventh generation of Wi-Fi technology
"WMS"	warehouse management system
"XGS-PON"	10 Gb/s symmetric pon, i.e., a type of passive optical network that supports symmetrical 10 Gb/s speeds
"X-Ray"	x-radiation
"°C"	degree(s) Celcius

We have included in this Document forward-looking statements, i.e., statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future.

This Document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words "aim", "anticipate", "believe", "can", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "wish", "would" and the negative of these words and other similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These forward-looking statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Document. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in the sections headed "Risk Factors", "Business", "Financial Information" and other sections in this Document. You should read thoroughly this Document with the understanding that our actual future results may be materially different from and worse than what we expect.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company that could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies, plans, objectives and goals, and our ability to implement such strategies, plans, objectives and goals;
- our future business development, financial conditions, and results of operations;
- our ability to develop new solutions and bring them to market in a timely manner and make enhancements to our existing solutions;
- our ability to acquire new customers and gain their trust and loyalty;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- the future developments and competitive environment in our industry;

- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in China and internationally;

- our ability to maintain, protect, and enhance our intellectual property;

- margins, overall market trends, risk management and exchange rates;

- the actions and developments of our competitors;

- capital market development;

- other statements in this Document that are not historical fact; and

- all other risks and uncertainties described in the section headed "Risk Factors" in this Document.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Hong Kong Listing Rules, we undertake no responsibility to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of any subsequent unanticipated event. Statements of or references to our intentions or those of any of our Directors are made as of the date of this Document. Any such intentions may change in light of future developments.

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

You should carefully consider all the information in this Document and, in particular, the risks and uncertainties described below before making an [**REDACTED**] *in our H Shares. The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the* [**REDACTED**] *price of our H Shares could decline and you may lose all or part of your* [**REDACTED**].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this Document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are engaged in a competitive industry, in which our operational and financial performance, financial condition, and future prospects may be affected changes in such competitive environment.

According to F&S, the industry in which we operate, i.e., the global integrated optical and wireless connectivity devices industry, is relatively competitive. For the year ended December 31, 2024, the total market size of this market reached USD12.4 billion, with the top five industry players occupying 29.0% of the market share in terms of sales revenue. Competition in this market may intensify as our competitors that possess longer operational histories and more substantial financial, technical, sales, marketing, and other resources may enhance their offerings to increase the market share. We may also face competition from emerging companies entering our existing or new markets. Such competitive pressures could lead to a drop in the market demand for our solutions, thus negatively impacting our revenue generation and results of operations. Furthermore, our competitors may replicate our business model, solutions, or any other aspects that have led to our current level of success, thus potentially eroding the competitive advantages that distinguish us in the market. Therefore, failing to compete successfully against both existing and new competitors could materially and adversely affect our business, results of operations, and financial condition.

Moreover, the market demand for our solutions is often cyclical and characterized by constant and rapid technological change, price erosion, evolving standards and wide fluctuations in product supply and demand. Our products may face downturns that are often connected with, or in anticipation of, the maturation of product cycles. These downturns could result in diminished product demand, production overcapacity, high inventory levels and accelerated erosion of such products' selling prices. Such changes in the market demand for, or cyclical changes in any of the markets utilizing, our solutions may materially and adversely affect our performance and profitability, and we may not be able to accurately predict these fluctuations and the impact that these fluctuations may have on our results of operations.

Our continuous success will rely on our R&D efforts.

In order to stay competitive, we will need constant innovation to ensure the timely introduction of new and improved products. However, the development of technologically advanced products is a complex and uncertain process that requires frequent innovation, highly skilled personnel, an accurate anticipation of technological and market trends, as well as significant capital. Our R&D expenses represented 7.1%, 8.9%, and 8.8% of our total revenue for the years ended December 31, 2022, 2023, and 2024, respectively. Additionally, our cumulative R&D investments during the Track Record Period exceeded RMB1.2 billion. As of December 31, 2024, our R&D teams comprised 630 employees, including 52 overseas R&D personnel. This allocation of resources to R&D highlights the critical role it plays in our strategic objectives. However, the failure of key R&D projects could result in wasted resources and missed opportunities, ultimately impacting our financial performance. Moreover, product development delays may occur from time to time, which are attributable to numerous factors such as (i) changing product specifications and customer requirements; (ii) unanticipated engineering complexities; (iii) difficulties in hiring and retaining necessary technical personnel; (iv) difficulties in reallocating engineering resources and overcoming resource limitations; or (v) rapidly changing technology or the release of competing products. Nevertheless, without constant investment in R&D to support the much needed innovation, our solutions may eventually become technologically obsolete.

There can be no assurance that we will be able to identify, develop, manufacture, market, or support new or enhanced products successfully or on a timely basis, or to acquire and/or develop the underlying technologies necessary to create such new or enhanced products. If we are unable to make our new or enhanced products commercially available on a timely basis, we may lose existing and potential customers and our financial results could be materially and adversely affected. The introduction of new products by other companies embodying new technologies, or the emergence of new industry standards, could also render our existing products uncompetitive from a pricing standpoint, obsolete, or otherwise unmarketable, resulting in a write-down in the value of our inventory.

We may face risks associated with our global operations.

As a global company, a significant portion of our operations and revenue is derived from international markets, including markets in the United States, Europe, and the Asia-Pacific. For the years ended December 31, 2022, 2023, and 2024, our revenue generated from overseas markets represented 82.9%, 89.3%, and 92.6% of our total revenue, respectively. Conducting our business internationally, particularly when we expand to other emerging markets in which we have limited prior experience, subjects us to certain risks and challenges, including:

- major geopolitical events, such as changes in relations between certain countries, global or regional pandemics, war, terrorism, and other force majeure events;

- compliance with multiple and potentially conflicting laws and regulations governing various aspects of our operations, including competition, pricing, transportation, logistics, tariffs, trade protection, and other activities important to our business;

- exposure to business cultures where improper business practices may be prevalent;

- difficulties in managing, growing, and staffing our international operations;

- challenges in cultivating and maintaining productive relationships with local business partners;

- impact of import and export restrictions, such as tariffs that may be imposed in relation to our products, and changes in trade regulations;

- risks associated with legal systems subject to undue influence or corruption;

- vulnerability to changes in local political, social, or economic conditions; and

- operational challenges due to distance, language, and cultural differences.

Our ability to maintain and expand our presence in international markets will be critical to the success of our business. However, there is no guarantee of this, and any of the aforementioned risks could pose significant challenges for us. If we are unable to manage one or more of these risks adequately, our results of operations and financial condition may be materially and adversely affected.

The success of our customers is essential to our business. Should they underperform, our business, growth and prospects may be adversely affected.

Our business model primarily serves joint design manufacturing ("**JDM**") and original design manufacturing ("**ODM**") customers, who may provide specific needs and requirements throughout the design and manufacturing process. For further details of our business model, please refer to the section headed "Business — Our business model" in this Document. The sales performance of our solutions depends on their business success and the marketability of the products we design and manufacture for them. Factors beyond our control, such as changing market demand, adjustments in our customers' business plans, economic conditions, exchange rate fluctuations, weak consumer demand, and unsuccessful sales and marketing efforts by our customers, can negatively impact their purchases from us. Our future growth depends on maintaining our market position, retaining customers, and expanding our customer base. We cannot guarantee that our solutions will meet the evolving needs of end-users, nor can we guarantee that our customers can accurately predict the market demand or direction in order to provide us with the product specifications that will allow them to succeed in the market. If our customers cannot successfully sell the products we manufacture, or if they make significant changes to their business plans regarding our solutions and products, our business and results of operations may be materially and adversely affected.

Our success may depend on maintaining long term relationships with our major customers.

For the years ended December 2022, 2023, and 2024, revenue from our five largest customers represented 63.5%, 68.8%, and 74.9% of our total revenue, and revenue from our largest customer represented 33.6%, 36.1%, and 41.8% of our total revenue, respectively. According to F&S, this is common in the industry. For further details, please refer to the section headed "Business — Customers, sales, and competition — Our major customers" in this Document. Our major customers' stable relationship with us and consistent demands from them for our solutions are crucial to our business. Their business conditions, liquidity, and solvency may have a significant impact on our business performance. Any disruption in our business relationship with major customers could have a material and adverse effect on our business, financial condition and results of operations. In the event that the existing major customers reduce or cease to purchase our products and we are unable to find new customers with similar level of demands at comparable terms within a reasonable period of time or at all, our business and profitability may be materially and adversely affected.

Our manufacturing capability, through both our co-location manufacturing partners and our in-house facilities, is essential to our business.

We pride ourselves on our capability in designing, developing, and manufacturing quality solutions to the satisfaction of our customers, and we believe that our ability to maintain efficient manufacturing, and to expand our production capacity as needed, will help fuel our future growth. As of the Latest Practicable Date, our manufacturing layout comprised our in-house facilities in China and six co-location manufacturing partners in China, Malaysia, Europe, and the United States. For details on our production capacity, production volume, and utilization, please refer to the section headed "Business — Manufacturing" in this Document. The level of utilization regarding our co-location manufacturing partners and our in-house facilities primarily depends on the demand for our products and the availability and maintenance of our equipment, but this may also be affected by factors such as employee availability, stable electricity supply, seasonal influences, and changes in environmental laws and regulations. If our manufacturing facilities, or those of our co-location partners, cannot maintain their operational efficiency, we may fail to fulfill purchase orders on time, which may result in a material and adverse effect on our reputation, business, and operations. In the future, as our business grows, we may need to further increase our production capacity, possibly through expanding to more production lines, co-location partners and/or new equipment. If we cannot manage such expansion effectively, resulting in increasing production costs or acquiring the needed machinery at unfavorable terms, our growth strategies may be materially and adversely affected.

Furthermore, the success of our co-location manufacturing model depends on the reliability and performance of our co-location partners. While we can exert considerable control over the manufacturing process through this co-location manufacturing model (for example the deployment of supervisory staff on-site and obtaining access to some of their control systems), issues with our partners such as financial instability or operational inefficiencies or other adverse factors beyond our control could severely affect their capabilities. Our co-location partners must also comply with the laws and regulations of different countries and regions. Non-compliance by any of them could delay our production schedules and significantly increase manufacturing costs. Such events may also materially and adversely affect our business, financial condition, and operations.

Our in-house manufacturing operations are also subject to the relevant workplace safety laws of the PRC, and we aim to provide a safe and accident-free environment for our workforce. We implement and require compliance with safety measures and procedures as stipulated in our internal policies. However, there is no assurance that these safety measures and procedures will be strictly followed by our employees or the employees of our co-location partners. Given the complexity of our manufacturing process and the operation of tools, equipment, and machinery, accidents resulting in employee injuries may occur. Such accidents could disrupt our operations and expose us to liabilities. We may not have adequate insurance to cover these liabilities, which may materially and adversely affect our business, results of operations, and financial condition.

An inability to manage our growth effectively may have an adverse impact on our business, future prospects, and financial condition.

Since our inception, we have been on a generally positive growth trajectory. However, our previous results may not be indicative of any future success. Our business growth and expansion efforts will depend on a multitude of elements, some of which are outside our sphere of influence. Such elements include, but are not limited to, our ability to (i) adjust our business model and operations to adapt to any changes in customer preferences; (ii) maintain and, even expand, our current customer base; (iii) manage our supply chain to support our business growth; (iv) manage a larger organization with a greater number of employees in different divisions, across multiple time zones and countries; (v) control expenses and investments in anticipation of expanded operations; (vi) improve on our R&D and manufacturing capabilities; (vii) procure funding with agreeable terms; and (viii) address new markets and potentially unforeseen challenges as they arise. The trajectory of our future business may also be swayed by external contingencies such as the global political and economic climate, shifting trade relations and tariffs imposed, governmental directives and regulations, as well as the prevailing interest and exchange rates. In addition, we may look to acquire certain businesses, assets, and technologies, or undertake similar investments as a part of our overall growth strategy. Potential target companies may be subject to domestic and foreign regulatory regimes with which we have insufficient experience, and such companies may be subject to further risks which we may be unable to evaluate at the time we acquire them. Such acquisition risks include (i) the diversion of our management's attention from our existing business; (ii) a failure to ascertain the right value of a target; (iii) unknown or inadequately quantified actuarial liabilities; (iv) the deterioration of book quality of an acquired business; (v) the failure to retain key acquired personnel, suppliers, distributors or customers; and (vi) an inability to leverage synergies. Additionally, there is no assurance that we will be able to successfully implement these initiatives within their expected time frames or at all.

All of the above factors affecting our growth could place significant strain on our managerial, operational and financial resources. For such reasons, our growth will depend on our ability to continue to implement and improve on our operational, financial, and management know-how, and adapt to changes in market conditions. If we are unable to do so, we may fail to execute our business strategy to achieve further growth, and as a consequence, our business success, financial condition and future prospects may be materially and adversely affected.

Our business depends on a number of key personnel, including our senior management, and the loss of, or our inability to attract or retain, such persons could materially and adversely affect our business, future prospects, and financial condition.

Our business depends substantially on the continuing efforts of our Directors, Supervisors, senior management, and other key personnel for setting our strategic business direction and managing our business. For the biographical information of our Directors, Supervisors, and senior management, please refer to the section headed "Directors, Supervisors and Senior Management" in this Document. Our ability to set strategic directions for continued success and future business challenges depends on the uninterrupted service of our experienced senior management and on our ability to attract, recruit, and retain experienced, talented, and skilled professionals. Due to the current limited pool of skilled personnel, competition for senior management, commercial and finance professionals in our industry can be intense and we may face challenges in attracting, retaining and motivating highly skilled, qualified and experienced personnel in these fields. Even if we are successful in recruiting and retaining such personnel, competition for such employees may significantly increase our compensation costs, which could impact our profitability. In the event of the loss of services of our Directors, Supervisors, senior management or other key personnel, or if we are unable to recruit or train a sufficient number of experienced personnel or to manage the attrition levels in different employee categories, our business performance and future prospects may be materially and adversely affected.

Our operations may be materially and adversely affected if our suppliers fail to deliver raw materials as required in terms of time, cost, quality, or quantity.

We may encounter raw material shortages resulting from delay in delivery, unsatisfactory quality, or production disruption of our suppliers. If our suppliers are unable to supply these raw materials on time, or at all, it may be difficult to procure alternative supplies in a timely manner. Any disruption in the supply of raw materials could temporarily interrupt our production until we are able to establish alternative supplies or to source sufficient quantities of the relevant raw materials from other existing suppliers.

With our business expansion, we may from time to time significantly increase our production, and order additional raw materials from our suppliers within a relatively short time frame. Our suppliers may fail to satisfy our needs, and even if they could, they may not be able to provide such raw materials in a timely manner or at favorable prices. For further information, please refer to the section headed "Business — Suppliers, procurement, and inventory — Inventory management" in this Document. If we cannot secure a qualified substitute supplier in a timely manner, or at all, we may experience significant disruption in the supply of essential raw materials of our products and material delay in the delivery of our products, which may materially and adversely impact our business and results of operations. In addition, we regularly negotiate with existing suppliers to obtain discounts and avoid adverse changes in commercial terms and seek new suppliers for certain components with lower costs. Our results of operations may be materially and adversely affected if we are unsuccessful in controlling and reducing supplier costs, in particular in the process of upgrading our existing products and introducing new products.

Developments in the labor market, increases in labor costs, or any possible labor unrest may materially and adversely affect our business and results of operations.

As of December 31, 2024, our Group comprised 1,231 employees. We foresee that our workforce may expand further as we continue to grow our business. Please refer to the section headed "Business — Employees" in this Document for more details. Whilst we have implemented policies and measures to protect the welfare and working conditions of our workforce, we cannot guarantee the absence of labor-related issues such as collective bargaining, workplace relations disputes, strikes, or challenges in attracting and retaining qualified workers. Such issues could result in work stoppages or labor shortages, significantly impacting our ability to meet customer demands and fulfill orders on time. Moreover, resolving labor disputes, hiring temporary workers, or implementing contingency plans to mitigate the effects of labor shortages could incur additional costs. These expenses, along with potential revenue losses from delayed deliveries, may materially and adversely affect our profitability and overall results of operations. Furthermore, our operations depend on a substantial number of employees. Any failure to maintain a stable and dedicated workforce could lead to severe disruptions. To ensure workforce stability, we might need to offer more attractive salary packages to remain competitive and retain our current pool of talent. Labor costs could also rise due to regulatory measures if more countries adopt stringent minimum wage laws. A significant rise in our labor costs as a result of the aforementioned reasons materially and adversely impact our margins and profitability. Unless we can implement other appropriate means to reduce production costs, our profit margin may decrease, thus materially and adversely affecting our business, financial condition, and results of operations.

As a global company, we have employees operating in multiple countries including China, the United States, and Japan, and we are bound by all the local employment laws and regulations that are applicable to our hiring and employment practices. Failure of such regulations may result in fines and/or significant rectification costs. In particular, regarding our employees in China, we are required under PRC law to participate in various employee benefit plans, including social insurance fund and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. During the Track Record Period, we had engaged third-party agencies to pay social insurance or housing provident fund contributions to about 132, 33, and 7 employees on our behalf, respectively. As of the Latest Practicable Date, any non-compliance related to the payment of social insurance and housing provident fund contributions via third parties had been adequately rectified. However, while our Company's PRC Legal Adviser believes that, under the assumptions that no material changes to prevailing policies, regulations and the local government enforcement requirements, and absence of material complaints from employees, the risk of additional contributions, late payment fees, or material administrative penalties by regulatory authorities, is remote and unlikely to have a material and adverse effect on our Company, we cannot guarantee that government authorities will share this view. We may also be subject to labor disputes arising from such arrangements with the relevant employees.

Product defects may adversely affect our business and reputation.

Our manufacturing processes are required to meet certain quality standards, and we are subject to various laws and regulations in the jurisdictions where our products are sold. To comply with these laws and regulations, we have implemented and maintained an effective quality control system and perform various inspections throughout our manufacturing process. For further details, please refer to the section headed "Business — Manufacturing — Quality control" in this Document. However, we cannot guarantee that our quality control system will remain effective and compliant with relevant laws, regulations, and standards. Any significant failure or deterioration of our quality control system could seriously damage our product quality, negatively impact our reputation, and lead to reduced orders or loss of customers, thereby harming our business, financial condition, and results of operations. We also cannot assure you that all products produced by us, or by our co-location partners, are free of any defects. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacturing process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and/or
- quality issues with the raw materials we produce or purchase.

A failure to detect quality defects in our products or to prevent such defective products from being delivered to our customers, even due to factors beyond our scope of control, could result in product recalls or withdrawals, license revocation or regulatory fines, product liabilities or other problems that could seriously harm our reputation and business. Product liability claims, even unsuccessful, would likely be time-consuming and costly to defend, which could divert significant resources and management attention, and thus materially and adversely affect our revenue and profitability.

Any change or discontinuation of preferential tax treatment we currently enjoy would increase our tax charge.

During the Track Record Period, our Company was recognized as a "High and New Technology Enterprise" and the recognition remained effective as of the Latest Practicable Date, and thus our Company was entitled to a preferential corporate income tax rate of 15% in the PRC for three years commencing from November 15, 2023. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be cancelled. Moreover, we cannot assure you that our Company will continue to be accredited as a "High and New Technology Enterprise" upon expiration of the relevant certificate. If any such change, cancellation or discontinuation of preferential tax treatment occurs, our Company will be subject to corporate income tax at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

If we fail to effectively manage our inventory, our financial results may be materially and adversely affected.

Our inventories are mostly finished goods, semi-finished goods, and raw materials for production and sales. We had inventories of RMB1,729.5 million, RMB1,573.5 million, and RMB1,685.5 million as of December 31, 2022, 2023, and 2024, respectively. Our average inventory turnover days were 171, 246, and 203 days in the years ended December 31, 2022, 2023, and 2024, respectively. As the markets of our products are competitive and subject to rapid technological advances and frequent price fluctuations, we are required to manage our inventories efficiently. If we were unsuccessful in accurately quantifying appropriate levels of inventory, our business, financial condition, results of operation and prospects may be materially and adversely affected. We rely on demand forecasts to decide on purchases of long-lead-time raw materials and manage production and inventory. However, market demand can change significantly due to general market conditions, new product launches, pricing, and discounts, which are not always within our control. Developing and marketing new products may hinder stable supplier relationships and accurate demand forecasting. Acquiring certain raw materials may require significant lead time and prepayment, and they may be non-returnable. Expanding our portfolio of products will further complicate inventory and logistics management. We cannot ensure that all inventory will be sold promptly, risking increased storage costs, obsolescence, a decline in value, and significant write-offs, thus materially and adversely impacting our results of operations and financial condition.

We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.

From time to time, we are or may be a party to various litigation claims, legal or arbitral proceedings, government, and regulatory inquiries and/or proceedings, including, but not limited to, intellectual property, fraud, unfair business practices, product liability, employee-related claims, breach of contract claims and securities actions. Additionally, alleged non-compliance and breaches of laws and regulations may also lead to litigation, legal proceedings, government, and regulatory inquiries and/or proceedings. We may also initiate legal proceedings against former employees who engage in fraudulent activities, and our customers for any owed payments. Any negative publicity arising from such proceedings, claims, litigation or disputes, regardless of the accuracy of such negative publicity, could damage our reputation and brand.

Defending these proceedings and/or addressing such negative publicity can be time-consuming and result in significant ongoing expenditures and the diversion of our management's time and attention from the day-to-day operation of our business, which could have a negative impact on our business operations. Due to the inherent uncertainty of the litigation process, there is no guarantee that we will succeed in defending ourselves against such claims or proceedings, or that the management's assessment of the materiality of these matters, including the accounting provisions made in connection therewith, will be consistent with the ultimate outcome of such claims or proceedings. Unfavorable outcomes or developments relating to any proceedings, such as judgments for monetary damages, penalty fees, injunctions, product recalls or denial or revocation of licenses or permits, could have a material adverse effect on our business, prospects, and financial condition. Our failure to successfully defend or settle any litigation, legal or arbitral proceedings or to assess accurately the materiality of a claim could result in liabilities that, to the extent not covered or only partially covered by our insurance, could have a material and adverse effect on our business, financial condition, and prospects.

We may need to defend ourselves against claims for intellectual property infringement, which may be time-consuming and would cause us to incur substantial costs.

Our success depends, in part, upon our intellectual property, products and operations not infringing, misappropriating or violating the intellectual property rights owned by others. We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties, or that our actions, unintended or not, may breach the licensing agreements that we had entered in relation to certain intellectual property rights. We may from time to time be, subject to legal proceedings and claims in various jurisdictions where we operate and where our products are sold relating to the intellectual property rights of others. There could also be existing patents of which we are not aware that other aspects of our business may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspects of our technology or business, if any such holders exist, would not seek to enforce such patents against us. Further, the application and interpretation of patent laws and the procedures and standards for granting patents in the countries and regions where we operate may keep evolving, and we cannot assure you that relevant courts or regulatory authorities would agree with our analysis.

If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question. Any intellectual property-related dispute or litigation, regardless of its outcome or merit, could result in substantial costs and expenses, adverse publicity or diversion of management resources, any of which could materially and adversely affect our business, financial conditions and results of operations.

We may not be able to prevent others from unauthorized use of our intellectual properties, which could harm our business and competitive position.

Our trade secrets, trademarks, patents, software copyrights, and other intellectual property rights are essential to our success. Unauthorized use by third parties may materially and adversely impact our revenues and reputation. To safeguard our intellectual property, we rely on trademark and patent law, unfair competition laws, and contractual rights, including confidentiality agreements with employees and third parties. However, these measures may be insufficient or breached, leading to unauthorized disclosure of our trade secrets and proprietary information. Additionally, there is no guarantee that our applications for trademarks, patents, and other intellectual property will be approved, or that our rights will not be challenged or deemed invalid. The intellectual property granted to us in certain jurisdictions would not guarantee us the similar rights in other jurisdictions due to the complexity of the regulation and process. Failure to register these properties could prevent us from stopping others from using them, significantly affecting our business, financial condition, and operational results. Policing unauthorized use of proprietary technology is challenging and expensive. Despite our efforts, third parties may attempt to copy or misuse our intellectual property or seek court declarations of non-infringement. Monitoring unauthorized use is difficult and costly, and we cannot ensure our measures will prevent misappropriation. We may need to resort to litigation to enforce our rights, incurring substantial costs and resource diversion.

Consequently, we might lose vital competitive advantages derived from our intellectual property. Significant impairments to our intellectual property rights could have a materially adverse effect on our business. Events beyond our control may also threaten our intellectual property rights and brand. Effective protection of our trademarks, patents, software copyrights, domain names, and other intellectual property rights is costly and complex.

Additionally, issued patents may not provide meaningful protection or competitive advantages. Patent claims might not be broad enough to prevent others from developing similar technologies. Others' intellectual property rights could prevent us from licensing and exploiting our patents. Numerous patents and pending applications in our field could have priority over ours, potentially invalidating our applications. Our patents may expire without extension and may be contested, circumvented, invalidated, or limited in scope, reducing their effectiveness.

Failure to obtain, renew, or retain licenses, permits or approvals may affect our business.

We are required to obtain certain approvals, licenses, and permits from various government authorities in the jurisdictions in which we operate. In addition to such licensing requirements, our business must comply with various laws and regulations in such jurisdictions as well. Such regulatory frameworks are subject to change, which may lead to new laws, regulations, and requirements, while existing ones may be reinterpreted or modified. Consequently, we may need to obtain additional approvals, licenses, permits, and certifications for our ongoing operations or any new business ventures. However, we cannot guarantee that we will always successfully secure all the necessary approvals, licenses, and permits, as regulatory bodies may interpret the laws and regulations differently, nor can we guarantee that government authorities will consistently act in our favor using their discretionary powers. Therefore, any failure to obtain, renew or retain such licenses, permits or approvals may materially and adversely affect our business operations and financial condition. For further information of such licenses, permits or approvals, please refer to the section headed "Regulatory Overview" in this Document.

Some of our leased properties did not complete the necessary government filing and registration.

As of the Latest Practicable Date, two out of our four leased properties in China, with an aggregate gross floor area of approximately 1,087.69 sq.m. had not been registered or filed with the relevant land and real estate administration bureaus in the PRC. As advised by our Company's PRC Legal Adviser, while the lack of registration will not affect the validity of the lease agreements, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. We cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to anti-corruption and anti-bribery and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery and similar laws and regulations in various jurisdictions in which we conduct activities. Whilst we have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with laws and regulations, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption or anti-bribery laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

We are exposed to the credit risks of our customers.

We are subject to the credit risks of our customers and our profitability and cash flow are dependent on our receipt of timely payments from our customers. During the Track Record Period, we generally granted credit terms of 30 to 90 days to our customers. However, there can be no assurance that the collection of amounts due from our customers will be timely. This might result in slow turnover of our trade and bills receivables and restrict our working capital resources. As of December 31, 2022, 2023, and 2024, we recorded trade and bills receivables of RMB1,606.9 million, RMB1,115.6 million, and RMB1,238.1 million, representing 41.9%, 34.3%, and 34.1% of our current assets, respectively. As of the same dates, the turnover days for our trade and bills receivables were 144, 159, and 116 days, and our expected credit loss allowance on trade and bills receivables amounted to RMB17.6 million, RMB12.8 million, and RMB14.4 million, respectively. If any of our customers faces unexpected situations, such as financial difficulties or deterioration in credit worthiness, there may be challenges in collecting full or partial payments from them and enforcing judgment debts against them could be difficult. These unforeseen circumstances may also render our judgments or estimations on expected credit loss allowance on trade and bills receivables inaccurate, potentially resulting in higher losses than currently estimated. If we fail to receive payments from our customers on a timely basis, our cash flows and financial condition could be materially and adversely affected.

Our operations may be significantly disrupted by risks associated with natural disasters, health epidemics, and other outbreaks.

Our operations, including those of our co-location partners, are vulnerable to interruption and damage from natural disasters and other calamities, such as fires, floods, severe weather conditions, earthquakes, power failures, civil unrest, and acts of terrorism. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophes or extraordinary events were to occur in the future, our ability to operate our business could be seriously impaired, and therefore materially and adversely affect our operations and financial conditions.

In addition, our business could be affected by public health epidemics and pandemics, such as the outbreak of Ebola, SARS, avian influenza, H1N1, or COVID-19 virus or other disease. Even if we are not directly affected, such disaster or disruption could affect the operations or financial conditions of our customers, which could harm our results of operations. If any of our employees, or those of our co-location partners, is suspected of having contracted a contagious disease, such operations may be required to follow strict quarantine measures, or even half production. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our offices or otherwise disrupt our business operations, thus materially and adversely affecting our financial condition and results of operations.

If we upgrade our manufacturing equipment more quickly than expected, we may have to shorten the useful lives of any equipment to be retired as a result of any such update, and the resulting accelerated depreciation could negatively affect our financial results.

We have invested, and expect to continue to invest, significantly in manufacturing equipment, and we depreciate the cost of such equipment over their expected useful lives. However, manufacturing technology may evolve rapidly, and we may decide to update our manufacturing process with advanced equipment more quickly than expected. Moreover, as our engineering and manufacturing expertise and efficiency increase, we may be able to manufacture our products using less of our installed equipment. The useful life of any equipment that would be retired early as a result would be shortened, causing the depreciation on such equipment to be accelerated, and to the extent we own such equipment, our results of operations could be materially and adversely impacted.

Our cashflow may deteriorate due to the mismatch in time between receipt of payments from our customers and payments to our suppliers.

Our financial stability is closely tied to the creditworthiness of our customers, and our liquidity hinges on their timely remittance. As of December 31, 2022, 2023, and 2024, the turnover days of our trade and bills payables were 158, 197, and 131 days, and the turnover days of our trade and bills receivables were 144, 159, and 116 days, respectively. Consequently, the interval between the receipt of customer payments and the settlement of supplier invoices can lead to potential cash flow discrepancies. Although we strive to mitigate such risks, we cannot guarantee the complete avoidance of significant cash flow imbalances in the future. Moreover, the effectiveness of our cash flow management strategies is not infallible. Inadequate cash flow management and insufficient working capital may expose us to credit risks that could significantly impact our financial health, operational results, and cash flow. Additionally, our operations are vulnerable to the risk of delayed or unfulfilled contractual commitments by our customers. Despite rigorous monitoring of overdue receivables by our finance team, the collection of such payments is not guaranteed. Should we encounter substantial difficulties in debt recovery or defaults by our clients, it could have a material and adverse effect on our financial condition, results of operations, and cash flow sustainability.

If we fail to fulfill our obligations under our contracts with customers in respect of contract liabilities, our results of operations and financial condition may be adversely affected.

As of December 31, 2022, 2023, and 2024, our contract liabilities amounted to RMB11.9 million, RMB45.4 million, and RMB33.4 million, respectively. Our contract liabilities primarily represent advance payments from customers for goods and rebated payables to customers. If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the purchase price we have received, which may materially and adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may adversely affect our relationship with such customers, which may also materially and adversely affect our reputation, business and results of operations in the future.

We may face risks associated with IT system failures, network disruptions, or cybersecurity breaches.

IT systems are critical to our ability to effectively manage our operations. If we do not allocate sufficient resources to build and sustain the proper IT infrastructure, we could be subject to transaction errors, processing inefficiencies, customer service disruptions and, in some instances, loss of customers. Moreover, if our data management systems do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, system failures, cybersecurity attack, or human error, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired. Challenges relating to the building of new IT structures can also subject us to certain errors, inefficiencies, disruptions and, in some instances, loss of customers. Our IT systems, and the systems of our third-party IT service providers may also be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, electrical or telecommunications failures, software program errors, computer viruses, cyber-attacks or hackers, and other security issues or threats that may pose a risk of financial losses, business interruptions, wrongful use of information, damage to reputation, and lack of proper protection. Cybersecurity attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. Although we have policies, procedures and plans for IT disruptions, security breaches, disaster recovery and business continuity to mitigate risks to these vulnerabilities, given the unpredictability of the timing, nature and scope of such disruptions, such measures may not have been effectively implemented or may not be adequate to ensure that our operations are not disrupted and we could potentially be subject to operational interruption, damage to our image and private data exposure. We may also incur significant expenses for implementing additional security measures to protect our IT systems.

Our risk management and internal control systems may not be adequate or effective.

We have developed and implemented comprehensive risk management and internal control policies that encompass various aspects of our business operations to supervise and address a spectrum of operational, financial, legal and market risks that may be or have been identified. Please refer to the section headed "Business — Risk management and internal control" in this Document. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective. Since the effectiveness of our risk management and internal control systems depend on the implementation of the same by our employees, we cannot assure you that our employees or other related third parties are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Our insurance coverage may not be sufficient to cover all the losses associated with our business operations.

We face various risks in connection with our business. As of the Latest Practicable Date, we maintained insurance policies for our products. We provide social security insurance as required by relevant rules and regulation in PRC, including general care and work-related injury insurance, for our employees. We have also maintained various insurance policies regarding different aspects of our overseas operations, such as general liability, property, errors and omissions, employment, and cargo. However, we cannot assure you that our insurance coverage is sufficient to prevent us from any loss, or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

Changes in Environmental, Social and Governance ("ESG") compliance requirements could have an adverse impact on our business, operating results and financial condition.

With the rising awareness of ESG issues, including with respect to waste disposal, packaging waste, greenhouse gas emissions and environmental protection, more stringent laws and regulations that affect our business operations may be adopted. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us. There can be no assurance that these measures can effectively help us to navigate the complex and evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and accordingly may have an material and adverse impact on our business, results of operations and financial performance.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Any slowdown in the growth of regional or global economy and inflation could affect our business, results of operations and financial condition.

The growth of the regional and global economy has slowed in recent years. It remains uncertain whether, and for how long, the regional and global economic slowdown will persist. There are considerable uncertainties over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. There have been concerns over war, as well as unrest and terrorist threats in certain countries and regions, which have resulted in volatility in oil and other markets. Regional economic conditions are sensitive to global economic conditions, changes in domestic economic and political policies as well as the expected overall economic growth rate.

It is unclear whether these challenges and uncertainties will be effectively managed or resolved and what effects they may have on the global political and economic conditions in the long term. Any economic slowdown or negative business sentiment could have an indirect potential impact on our industry. In addition, continued turbulence in the international markets, including ever-changing trade relations between certain countries, or any newly imposed tariffs against our products, may adversely affect our ability to access capital markets to meet liquidity needs. As a result, our business operations and financial performance may be materially and adversely affected.

Changes in the economic, political and social conditions as well as government policies in the countries and regions where we operate could adversely affect our business and prospects.

A substantial part of our operations are located in a number of overseas markets. Accordingly, our business, financial condition and results of operations could also be influenced by political, economic and social conditions in these markets. Economic growth in each of our geographic markets has been uneven, both geographically and among various sectors within any one of the relevant economies. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations. Changes in the economic or political environment could increase our exposure to legal and business risks, and may materially and adversely our operations and affect our results of operations.

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

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

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

Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until some time after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with this [REDACTED], future capital raising activities and future major events.

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

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines, which came into effect on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas listing of securities of PRC domestic companies and had regulated both direct and indirect overseas listing of PRC domestic companies' securities by adopting a filing based regulatory regime. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfill relevant filing procedures and report information to the CSRC. If a domestic company fails to complete the filing procedure, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

If it is determined that we are subject to any filing or other authorization or requirements of the CSRC or other PRC governmental authorities for future fund raising activities or other major events, and we fail to complete such filing or meet such requirements in a timely manner or at all, we could be subject to sanctions by the CSRC or other PRC regulators authorities. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund-raising activities if any. Any uncertainties or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects, financial condition, reputation, and [**REDACTED**] and [**REDACTED**] of our H Shares.

Fluctuations in exchange rates may have a material adverse effect on our results of operations, financial condition and your [REDACTED].

Due to the global presence of our business, we are inherently exposed to risks associated with foreign currency exchange fluctuations. Our Group's subsidiaries mainly operate in the China, the United States and Japan and the majority of our transactions are settled in RMB, USD, and JPY, which are the functional currencies of our Group entities to which the transactions relate. Any appreciation or depreciation in the value of the RMB, USD, and JPY or other foreign currencies that our operations are exposed to will affect our business, results of operations and financial condition adversely in different ways. It is difficult to predict how external factors may impact the exchange rate of RMB and other foreign currencies in the future. Moreover, we may from time to time implement various hedging policies, such as currency swaps, natural hedging, or diversification, to mitigate these risks, it is important to note that these measures may not fully eliminate the potential adverse impacts of currency movements. The availability and effectiveness of our hedging measures in order to reduce our exposure to foreign exchange risks may be limited, and we may not be able to adequately cover our exposure or at all. Whilst the majority of our revenues and expenditures were denominated in RMB, USD, and JPY, our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar may materially adversely affect any dividends payable on, our H Shares in Hong Kong dollars.

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

Under the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) ("**EIT Law**") and its implementation rules, subject to any applicable tax treaty or similar arrangement between the mainland China and a non-mainland China investor's jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Pursuant to the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was promulgated by the SCNPC on September 10, 1980, and was most recently amended on August 31, 2018, and effective on January 1, 2019, and *the Implementation Regulations for the IIT Law* (《中華人民共和國個人所得稅法實施條例》), dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

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

Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations and affect the value of your [REDACTED].

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated under the laws of the PRC with limited liability, and a portion of our assets are located in the PRC. In addition, a majority of our Directors, Supervisors and our senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors, Supervisors and senior management personnel.

When it comes to trans-jurisdictional recognition and enforcement of judgments, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be uncertain.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into such a choice of court agreement in writing. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not entered into a jurisdiction agreement in writing under the 2006 Arrangement.

As between the PRC and Hong Kong, the new arrangement entered into between the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region on January 18, 2019 which took effect on January 29, 2024, has lifted the requirements for a choice of court agreement in writing in a civil or commercial case under the previous regime on bilateral recognition and enforcement. However, the 2006 Arrangement will remain applicable to a "jurisdiction agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect. However, since the 2019 Arrangement is newly effected and promulgated, the interpretation, application and enforcement must be determined in accordance with the relevant laws and regulations in effect at the time.

Payment of dividends is subject to laws and regulations in regions where we operate.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting). Our distributable net profit represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS Accounting Standards. As a result, we may not have sufficient distributable profits to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Our offshore subsidiaries may be deemed to be a PRC tax resident enterprise.

Under the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of China (《中華人民共和國企業所得稅法實施條例》), enterprises established under the laws of jurisdictions outside of China with "de facto management bodies" located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following conditions are met: (i) senior management personnel and departments that are responsible for daily production, operation and management are located mainly within China; (ii) financial and personnel decisions are subject to determination or approval by bodies or persons in China; (iii) key properties, accounting books, company seal and minutes of board meetings and shareholders' meetings are located or kept within China; and (iv) at least half of the directors with voting rights or senior management reside within China. The State Administration of Taxation of the PRC, or SAT, has subsequently provided further guidance on the implementation of Circular 82.

Although most of our offshore subsidiaries have substantive business operations in the countries or regions where they are located, as our Company is a PRC enterprise, our offshore subsidiaries may be questioned by the competent regulatory authorities, and if our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the EIT at 25% on their global income, except that the dividends they receive from our PRC subsidiaries, if any, may be exempt from the EIT to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." Nonetheless, it remains subject to future interpretation as to what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. The EIT on our subsidiaries' global income could significantly increase our tax burden and affect our cash flows and profitability.

RISKS RELATING TO THE [REDACTED]

Our A Shares have been listed in China since 2017, and the characteristics of the A Share and H Share market may differ.

Our A Shares have been listed on the Shanghai Stock Exchange since 2017. Following the [**REDACTED**], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [**REDACTED**] on the Hong Kong Stock Exchange. Under the current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no [**REDACTED**] or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent [**REDACTED**], liquidity and investor bases, as well as different levels of retail and institutional investor participant. As a result, the [**REDACTED**] performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [**REDACTED**] of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [**REDACTED**] decision in our H Shares.

We will be concurrently subject to PRC and Hong Kong listing and regulatory requirements.

As we are listed on the Shanghai Stock Exchange and will be [**REDACTED**] on the Main Board of the Hong Kong Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

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

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

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

Prior to the [**REDACTED**], there was no public market for our H Shares. There can be no guarantee that an active [**REDACTED**] market for our H Shares will develop or be sustained after the completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations between our Company, the [**REDACTED**] and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**] and the [**REDACTED**]), which may not be indicative of the market price at which our H Shares will be traded following completion of the [**REDACTED**]. If an active market for our H Shares does not develop following the completion at the [**REDACTED**], the market price and liquidity of our H Shares may be materially and adversely affected.

The [REDACTED] of our H Shares may be volatile, which could result in substantial losses to you.

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

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. In order to expand our business, we may consider [**REDACTED**] and [**REDACTED**] additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per H Share of their H Shares if we [**REDACTED**] additional Shares in the future at a [**REDACTED**] which is lower than the net tangible asset value per H Share at that time. Furthermore, we may [**REDACTED**] Shares pursuant to any existing or future equity incentive plan, which would further dilute our Shareholders' interests in our Company.

Future sales or perceived sales of substantial amount of our Shares in the public market, especially by our Directors, executive officers and substantial Shareholders, could materially and adversely affect the prevailing market price of our H Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the market price of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the market price of our H Shares.

Certain facts, forecasts, statistics and information in this Document relating to the industry in which we operate may not be fully reliable.

Certain facts, forecasts and statistics in this Document relating to the industry in which we operate are obtained from various sources that we believe are reliable, including official government publications and third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We have taken reasonable care in the reproduction or extraction of the such information. However, we cannot guarantee the quality or reliability of these sources. Specifically, neither we, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], nor our or their respective affiliates or advisers have verified such information. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Document relating to the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other markets, and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as may be the case elsewhere.

We cannot assure you that we will declare and distribute any dividends in the future. If we do not pay dividends in the foreseeable future after the [REDACTED], you must rely on [REDACTED] appreciation of our H Shares for a return on your [REDACTED].

We cannot assure you when and in what form dividends will be paid on our H Shares after the [**REDACTED**]. The declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make/can make dividend payments on our H Shares in the future.

If we retain most, or all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and commercialization of our new product candidates, we may not expect to pay any cash dividends in the foreseeable future. Therefore, you may not be able to rely on an [**REDACTED**] in our H Shares as a source for any future dividend income.

Even if our Board decides to declare and pay dividends, the timing, number and form of future dividends, if any, will depend on our future results of operations and cash flow, our financial condition, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our H Shares will likely depend entirely upon any future [**REDACTED**] appreciation of our H Shares. There is no guarantee that our H Shares will appreciate in value after the [**REDACTED**] or even maintain the [**REDACTED**] at which you purchased the H Shares. You may not realize a return on your [**REDACTED**] in our H Shares and you may even lose your entire [**REDACTED**] in our H Shares.

This Document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This Document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate," "believe," "could," "estimate," "expect," "may," "ought to," "should" or "will" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors in the H Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

You should read the entire Document carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business or the [REDACTED].

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this Document.

Prior to the completion of the [**REDACTED**], there may be press and media coverage regarding our Group and the [**REDACTED**]. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. In making decisions as to whether to [**REDACTED**] in our H Shares, prospective investors should rely only on the financial, operational and other information included in this Document. By [**REDACTED**] to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and the [**REDACTED**]. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it and you should not rely on such information.

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules and exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

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

Since most of the business operations of our Group are managed and conducted outside of Hong Kong, and all of the executive Directors ordinarily reside outside Hong Kong, our Company considers that it would not be practically feasible or commercially reasonable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong. Therefore, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rule 8.12 of the Hong Kong Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange:

(a) **Authorized representatives:** we have appointed two authorized representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two appointed authorized representatives are Mr. Gerald G Wong, our executive Director, chairman of our Board and general manager (chief executive officer) and Ms. So Lai Shan (蘇麗珊女士), one of our joint company secretaries (the "**Authorized Representatives**"), who will act as our principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Hong Kong Stock Exchange. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Hong Kong Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time;

(b) **Directors:** each of our Authorized Representatives has means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the members of our Board for any matters. In the event that any Director expects to travel or otherwise be out of office, he/she will provide a contactable phone number of him/her to the Authorized Representatives. Pursuant to Rule 3.20 of the Hong Kong Listing Rules, each of our Directors shall provide his/her telephone number, mobile phone number, facsimile number (if available), email address (if available), residential address and contact address (if different from the residential address) for correspondence to the Hong Kong Stock Exchange. To the best of our knowledge and information, each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon request of the Hong Kong Stock Exchange;

(c) **Compliance Adviser:** our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Goutai Junan Capital Limited as our Compliance Adviser, who will act as an additional channel of communication with the Hong Kong Stock Exchange. The Compliance Adviser will advise ongoing compliance requirements and other issues arising under the Hong Kong Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the [**REDACTED**] at least and ending on the date on which our Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of our Company's financial results for the first full financial year after the [**REDACTED**]. Pursuant to the note to Rule 3A.23 of the Hong Kong Listing Rules, we shall ensure that the Compliance Adviser will have access at all times to our Authorized Representatives, our Directors and other officers. We shall also ensure that our Authorized Representatives, our Directors and other officers will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Hong Kong Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our Authorized Representatives, our Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Hong Kong Stock Exchange; and

(d) **Hong Kong legal adviser:** we will retain a Hong Kong legal adviser to advise us on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Hong Kong Listing Rules and other applicable laws and regulations in Hong Kong after the [**REDACTED**].

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Jin Zeqing (金澤清先生), who is our deputy general manager and secretary to our Board, as one of our joint company secretaries. Although Mr. Jin Zeqing does not possess the qualification and sufficient relevant experience as stipulated in the notes to Rule 3.28 of the Hong Kong Listing Rules, we would like to appoint him as our joint company secretary due to his past management experience within our Group and his thorough understanding of the internal administration and business operations of our Group. In addition, we have appointed Ms. So Lai Shan (蘇麗珊女士), who fulfils the requisite qualification as required under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, to act as our other joint company secretary and to assist Mr. Jin Zeqing to acquire all qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Hong Kong Listing Rules. Please refer to the section headed "Directors, Supervisors and Senior Management" in this Document for further information regarding the qualifications and experience of Mr. Jin Zeqing and Ms. So Lai Shan.

Apart from discharging her functions in her role as one of our joint company secretaries, Ms. So Lai Shan will assist Mr. Jin Zeqing in enabling him to acquire the relevant company secretary experience as required under Rule 3.28 of the Hong Kong Listing Rules and to become familiar with the requirements of the Hong Kong Listing Rules and other applicable Hong Kong laws. In addition, Mr. Jin Zeqing will also attend relevant professional training during each financial year as required under Rule 3.29 of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance of Rules 3.28 and 8.17 of the Hong Kong Listing Rules in respect of the appointment of Mr. Jin Zeqing as one of our joint company secretaries pursuant to Chapter 3.10 of the Guide for New Listing Applicants on the following conditions:

(a) Mr. Jin Zeqing must be assisted by Ms. So Lai Shan, who possesses the qualifications and experience required under Rule 3.28 of the Hong Kong Listing Rules and is appointed as a joint company secretary of our Company throughout the validity period of the waiver;

(b) the waiver is valid for an initial period of three years commencing from the [**REDACTED**] and will be revoked immediately if there are material breaches of the Hong Kong Listing Rules by our Company; and

(c) before the end of the three-year period, the qualifications and experience of Mr. Jin Zeqing will be further evaluated by our Company. Our Company will then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Jin Zeqing, having had the benefit of the assistance of Ms. So Lai Shan for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Hong Kong Listing Rules will not be necessary.

WAIVER AND EXEMPTION IN RELATION TO THE 2024 SHARE OPTION INCENTIVE SCHEME

The Hong Kong Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribe certain disclosure requirements in relation to the options granted by our Company:

(a) Rule 17.02(1)(b) of the Hong Kong Listing Rules stipulates that all material terms of a scheme involving issue of new shares by listed issuers must be clearly set out in the document. Our Company is also required to disclose in this Document full details of all outstanding options and their potential dilution effect on the shareholdings upon [**REDACTED**] as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options;

(b) Paragraph 27 of Appendix D1A to the Hong Kong Listing Rules requires our Company to set out in the document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and

(c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to disclose, amongst others, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the document.

Pursuant to paragraphs 6 to 7 of Chapter 3.6 of the Guide for New Listing Applicants, the Hong Kong Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

Our Company may, from time to time, adopt share incentive schemes. As of the Latest Practicable Date, the 2024 Share Option Incentive Scheme remained in effect, with 15,389,000 outstanding options held by 768 eligible grantees, representing approximately 5.74% of the total issued Shares of our Company. Among these 768 eligible grantees, two are our Directors (our connected persons), one is a member of our senior management, three are directors, supervisors or chief executives of our significant subsidiaries (our connected persons), and the remaining 762 are other employees of our Group. Please refer to the section headed "Statutory and General Information — Our Share Incentive Schemes — (b) 2024 Share Option Incentive Scheme" in Appendix VI to this Document.

We have applied to: (i) the Hong Kong Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Hong Kong Listing Rules and the condition to make available for public inspection a full list of grantees as required under paragraph 7(iii) of Chapter 3.6 of the Guide for New Listing Applicants, in relation to the options granted under the 2024 Share Option Incentive Scheme; and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the 2024 Share Option Incentive Scheme, respectively, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the exemption would not prejudice the interests of the investing public for the following reasons:

(a) given that 768 eligible grantees (representing approximately 60% of the total number of our employees) are involved, strict compliance with such disclosure requirements in setting out full details of all the eligible grantees under the 2024 Share Option Incentive Scheme in this Document would be costly and unduly burdensome for us in light of a significant increase in cost and timing for information compilation and document preparation. For example, we would need to collect and verify the addresses of a large number of eligible grantees and obtain their fully consents due to personal data privacy protection to meet the disclosure requirement;

(b) full disclosure of the details on the options granted to each eligible grantee either through disclosure in this Document or through making available for public inspection a full list of grantees with all the particulars required would allow the our employees to gain access to their peers' or colleagues' compensation, which could negatively affect employees' morale, give rise to negative internal competitions leading to an increase in the costs for recruitment and retention, and negative outside competitions leading to our competitors' solicitation of our employees which will cause adverse impact on our ability to recruit and retain valuable personnel. The lack of full disclosure with the above disclosure requirements will on the contrary give us flexibility in terms of determining the compensation of our employees and retaining core management staff;

(c) the grant and exercise in full of the options under the 2024 Share Option Incentive Scheme will not cause any material adverse impact to the financial position of our Group;

(d) there will not be any new H Shares issued under the 2024 Share Option Incentive Scheme as the Shares granted under the 2024 Share Option Incentive Scheme are our A Shares;

(e) non-compliance with the above disclosure requirements would not prevent us from providing our potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(f) material information relating to the 2024 Share Option Incentive Scheme has been disclosed in this Document to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their [**REDACTED**] decision, and such information includes:

(1) a summary of the major terms of the 2024 Share Option Incentive Scheme;

(2) the aggregate number of A Shares subject to the options and the percentage to our total issued Shares as of the Latest Practicable Date;

(3) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately following completion of the [**REDACTED**];

(4) full details of the options granted to our Directors, senior management and connected persons (if any), on an individual basis, are disclosed in this Document, and such details include all the particulars required under Rule 17.02(1)(b) of the Hong Kong Listing Rules, paragraph 27 of Appendix D1A to the Hong Kong Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(5) with respect to the options granted to other eligible grantees (other than those referred to in (4) above), disclosures are made on an aggregate basis, categorized into lots based on the number of A Shares underlying each individual grantee, and the following details are disclosed in this Document, including (1) the aggregate number of such grantees and the number of A Shares subject to the options; (2) the consideration paid for the grant of the options; and (3) the exercise period of the options and the exercise price for the options; and

(6) the particulars of the waiver and exemption granted by the Hong Kong Stock Exchange and the SFC, respectively.

The Hong Kong Stock Exchange [has granted] a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Hong Kong Listing Rules and the condition to make available for public inspection a full list of grantees as required under paragraph 7(iii) of Chapter 3.6 of the Guide for New Listing Applicants, in relation to the options granted under the 2024 Share Option Incentive Scheme on the conditions that:

(a) on an individual basis, full details of the options under the 2024 Share Option Incentive Scheme granted to each of our Directors, senior management and connected persons are disclosed in "Statutory and General Information — Our Share Incentive Schemes — (b) 2024 Share Option Incentive Scheme" in Appendix VI to this Document as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Hong Kong Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options under the 2024 Share Option Incentive Scheme granted to remaining grantees (being the other grantees who are not our Directors, senior management or connected persons), disclosures are made, on an aggregate basis, categorized into lots based on the number of A Shares underlying each individual grantee, being (1) 1,000 to 25,000; (2) 25,001 to 50,000; (3) 50,001 to 75,000. For each lot of A Shares, the following details are disclosed in this Document, including (1) their aggregate number of grantees and number of A Shares underlying the options under the 2024 Share Option Incentive Scheme, (2) the consideration (if any) paid for the grant of the options under the 2024 Share Option Incentive Scheme, and (3) the exercise period of the options and the exercise price of the options granted under the 2024 Share Option Incentive Scheme;

(c) the aggregate number of A Shares underlying the options granted under the 2024 Share Option Incentive Scheme and the percentage to our total issued share capital represented by such number of A Shares as of the Latest Practicable Date are disclosed in this Document;

(d) the dilutive effect and impact on earnings per Share upon full exercise of the options under the 2024 Share Option Incentive Scheme are disclosed in "Statutory and General Information — Our Share Incentive Schemes — (b) 2024 Share Option Incentive Scheme" in Appendix VI to this Document;

(e) a summary of the major terms of the 2024 Share Option Incentive Scheme are disclosed in "Statutory and General Information — Our Share Incentive Schemes — (b) 2024 Share Option Incentive Scheme" in Appendix VI to this Document;

(f) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(g) the particulars of the waiver will be disclosed in this Document.

The SFC [has granted] a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the 2024 Share Option Incentive Scheme on the conditions that:

(a) on an individual basis, full details of the options under the 2024 Share Option Incentive Scheme granted to each of our Directors, senior management and connected persons are disclosed in "Statutory and General Information — Our Share Incentive Schemes — (b) 2024 Share Option Incentive Scheme" in Appendix VI to this Document as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options under the 2024 Share Option Incentive Scheme granted to remaining grantees (being the other grantees who are not our Directors, senior management or connected persons), disclosure are made, on an aggregate basis, categorized into lots based on the number of A Shares underlying each individual grantee, being (1) 1,000 to 25,000; (2) 25,001 to 50,000; (3) 50,001 to 75,000. For each lot of A Shares, the following details are disclosed in this Document, including (1) their aggregate number of grantees and number of A Shares underlying the options under the 2024 Share Option Incentive Scheme, (2) the consideration (if any) paid for the grant of the options under the 2024 Share Option Incentive Scheme, and (3) the exercise period of the options and the exercise price of the options granted under the 2024 Share Option Incentive Scheme; and

(c) the particulars of the exemption will be disclosed in this Document and this Document will be issued on or before [●], 2025.

[**REDACTED**]

[**REDACTED**]

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[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors:		
Mr. Gerald G Wong	4 Raritan Place Basking Ridge NJ 07920 United States	American
Mr. Zhao Haibo (趙海波先生)	Room 2003, No. 70 Caoxi Xincun Sicun Xuhui District Shanghai PRC	Chinese
Mr. Zhao Hongwei (趙宏偉先生)	Room 701, No. 9 Lane 818, Minsheng Road Pudong New Area Shanghai PRC	Chinese
Mr. Zhang Jie (張傑先生)	Room 401, No. 2 Lane 333, Dongchuan Road Minhang District Shanghai PRC	Chinese

Name	Address	Nationality
Independent Non-Executive Directors:		
Mr. Qin Guisen (秦桂森先生)	283-101, Building 8 Wanke Youshan No. 288 Zhiwang Road Qingpu District Shanghai PRC	Chinese
Mr. Liu Guisong (劉貴松先生)	Room 1401, Unit 1, Building 22 No. 1313 Xiyuan Avenue Westpark of Hi-tech Development Zone Chengdu Sichuan Province PRC	Chinese
Mr. Yao Minglong (姚明龍先生)	Room 401, Unit 1 Building 28 Santang Lanyuan Xiacheng District, Hangzhou Zhejiang Province PRC	Chinese
Ms. Yuen Shuk Yee (袁淑儀女士)	Flat A, 7/F Block 18, Phase 1, Broadway Street Mei Foo Sun Chuen Kowloon Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	**Address**	**Nationality**
Ms. Yin Ying (印櫻女士)	Room 1101, No. 73 Lane 350, Jiangzhi Road Minhang District Shanghai PRC	Chinese
Ms. Wang Huan (王歡女士)	Room 402, No. 19 Lane 598, Puxiu Road Pujin Street Minhang District Shanghai PRC	Chinese
Ms. Yuan Yuan (袁媛女士)	Room 302, No. 62 Lane 880, Huajing Road Xuhui District Shanghai PRC	Chinese

Further information about our Directors and Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" in this Document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

[REDACTED]

Legal Advisers to our Company	*As to Hong Kong and U.S. laws:* **Baker & McKenzie** 14/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong *As to PRC laws:* **Beijing DeHeng Law Offices** 12/F Tower B, Focus Place 19 Finance Street Beijing PRC *As to U.S. laws in relation to our business operation in the U.S.:* **Thompson Hine LLP** 3900 Key Center 127 Public Square Cleveland, Ohio 44114-1291 United States *As to Japan laws in relation to our business operation in Japan:* **Hibiya Park Law Offices** Hibiya Marine Building 5th Floor, 5-1 Yurakucho 1-chome Chiyoda-ku, Tokyo 100-0006 Japan *As to Hong Kong laws in relation to our business operation in Hong Kong:* **Deacons** 5/F, Alexandra House 18 Chater Road Central Hong Kong *As to International Sanctions laws:* **Hogan Lovells International LLP** 11th Floor, One Pacific Place 88 Queensway Hong Kong

Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong laws:* **Eric Chow & Co. in Association with Commerce & Finance Law Offices** 3401, Alexandra House 18 Chater Road Central Hong Kong *As to PRC laws:* **JunHe LLP** 26/F, HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No. 1) Shanghai PRC
Reporting Accountants and Independent Auditors	**Grant Thornton Hong Kong Limited** *Certified Public Accountants and Registered Public Interest Entity Auditor* 11/F, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong
Compliance Adviser	**Guotai Junan Capital Limited** 27/F, Low BlockGrand Millennium Plaza 181 Queen's Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square No. 1717 West Nanjing Road Jing'an District Shanghai PRC

[**REDACTED**]

CORPORATE INFORMATION

Registered Office, Principal Place of Business and Headquarters in the PRC	Room 501, Building 8 No. 2388 Chenhang Road 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	Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**www.cigtech.com** *(information contained in this website does not form part of this Document)*
Joint Company Secretaries	Mr. Jin Zeqing (金澤清先生) No. 141, Wanke Jingyuan Lane 9, Junfeng Road Qingpu District Shanghai PRC Ms. So Lai Shan (蘇麗珊女士) *(ACG, HKACG)* Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	Mr. Gerald G Wong 4 Raritan Place Basking Ridge NJ 07920 United States Ms. So Lai Shan (蘇麗珊女士) Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

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Audit Committee	Mr. Yao Minglong (姚明龍先生) *(chairman)* Mr. Liu Guisong (劉貴松先生) Ms. Yuen Shuk Yee (袁淑儀女士)
Nomination Committee	Mr. Qin Guisen (秦桂森先生) *(chairman)* Mr. Zhao Haibo (趙海波先生) Ms. Yuen Shuk Yee (袁淑儀女士)
Remuneration and Evaluation Committee	Mr. Liu Guisong (劉貴松先生) *(chairman)* Mr. Gerald G Wong Mr. Yao Minglong (姚明龍先生)
Strategy and ESG Committee	Mr. Gerald G Wong *(chairman)* Mr. Zhao Haibo (趙海波先生) Mr. Zhang Jie (張傑先生) Mr. Zhao Hongwei (趙宏偉先生) Mr. Qin Guisen (秦桂森先生)

[**REDACTED**]

CORPORATE INFORMATION

Principal Banks

China Construction Bank
Shanghai Yanghang Branch
No. 155, Yangtao Road
Baoshan District
Shanghai
PRC

Bank of Communications
Shanghai Caohejing Branch
2/F, Building C
No. 900, Yishan Road
Shanghai
PRC

Agricultural Bank of China
Shanghai Minhang Branch
No. 68, South Shuiqing Road
Minhang District
Shanghai
PRC

Ningbo Bank
Shanghai Branch
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383 Madison Ave
New York
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USA

The information and statistics set out in this section and other sections of this Document were extracted from the F&S Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged F&S to prepare the F&S Report, an independent industry report, in connection with the **[REDACTED]**. *We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor,* **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, *any of their respective directors and advisors, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy.*

SOURCE OF INFORMATION

We commissioned F&S to conduct market research on the global optical and wireless connectivity devices industry and prepare the F&S Report. F&S is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB400,000 to F&S for compiling the F&S Report.

In preparing the F&S Report, F&S conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. F&S also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. F&S obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The F&S Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and the PRC is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

GLOBAL AI AND CONNECTIVITY OVERVIEW

Overview

The rapid advancement of AI technologies, particularly generative AI and large language models ("**LLM**"), is reshaping industries and accelerating digital transformation. The AI market is expected to experience substantial growth, with the global market size forecasted to exceed USD3,000 billion in 2029, representing a CAGR of 37.8% from 2024. In parallel, major global tech giants are expected to invest over USD400 billion in the development of AI infrastructure over the next three years, further driving the expansion of the AI ecosystem. This investment will be critical in supporting the increasing demands for computational power and AI-driven services. Similarly, the global data center rack numbers, essential for hosting AI workloads and ensuring fast data processing, are projected to reach 139.8 million units in 2029, representing a CAGR of 32.8% from 2024. These developments highlight the immense growth potential of AI infrastructure and the significant role it will play in shaping the future of global industries.

At the core of the technological evolution lies the need for seamless distribution and transmission of computational power and data, both of which rely on reliable connectivity. In the context of AI model training, inference and real-time data processing, the demand for high-speed, low-latency and high-volume data transfer has rapidly increased, which has promoted the development of high-performance connectivity products. These connectivity products serve as the critical backbone of AI infrastructure, ensuring that the massive computational power required for AI advancements are efficiently handled.

In addition, as AI becomes increasingly cost-effective, the adoption of large AI models across various application scenarios is expected to grow rapidly. These advancements are enabling AI applications to penetrate various sectors, including intelligent manufacturing, smart homes, intelligent transportation. IoT also serves as a critical enabler for AI deployment, acting as the bridge that connects AI technologies to real-world applications by providing the necessary data and execution endpoints. It is expected that the global number of IoT connections will reach 71.8 billion units by 2029, representing a CAGR of 30.8% from 2024. As AI technologies continue to evolve, end-user devices are becoming more intelligent, with AI applications running continuously across various platforms. This shift is transforming global data traffic, with increasing demands for high-frequency interactions with real-time responses. As a result, there will be a heightened need for advanced connectivity solutions, such as wired broadband access and wireless network access products, to support the growing requirement for real-time, AI-powered applications, thereby driving the global transition to a digitalized and intelligent industrial ecosystem.

OVERVIEW OF GLOBAL OPTICAL AND WIRELESS CONNECTIVITY DEVICES ("OWCD") INDUSTRY

Overview of the OWCD industry

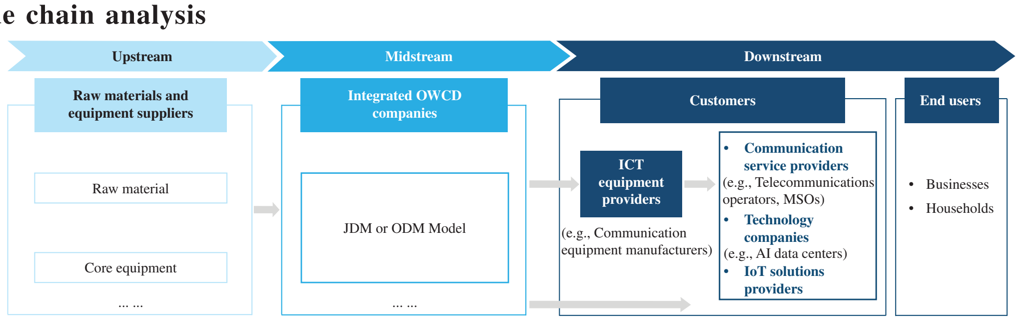
OWCDs refer to a comprehensive suite of devices supporting critical stages across the optical communication and wireless networking industry, which mainly include (i) photonics (optical transceivers/optical modules), (ii) wired broadband access devices, and (iii) wireless network access devices. As foundational elements of AI infrastructure, these devices promote the efficient distribution and transmission of computational power and data, enabling seamless connectivity within computational clusters, between computational clusters, and from computational clusters to end users. Designed to meet the core demands of high-speed, low-latency and high-bandwidth communication, these devices are key to advancing digital intelligence ("**DI**") and AI applications. They play a central role in accelerating the adoption of AI technologies, driving industry innovation and transformation by enhancing connectivity and communication capabilities.

Integrated OWCD companies are companies that specialize in the production of at least two sectors within the OWCD category. Their comprehensive product portfolios are designed to meet the needs of downstream customers, such as ICT equipment providers, communication service providers, technology companies and IoT solutions providers. The products from these companies are primarily integrated into the solutions delivered by their customers to the end-users, or directly incorporated into their own data communication infrastructure, such as data centers. Integrated OWCD companies mainly collaborate with their customers through joint design manufacturing ("**JDM**") model and original design manufacturing ("**ODM**") model, ensuring tailored solutions that align with specific customer requirements.

Integrated OWCD companies are becoming more common in the industry, leveraging the synergy between photonic and wired broadband access devices (for optical communication) and wireless network access devices (for wireless communication), which are essential and closely interconnected components of modern communication networks. Most integrated OWCD companies operate across two of these three segments.

Full-sector coverage integrated OWCD companies are those engaged across all three sectors within the OWCD category. Only a few companies meet this criterion, setting themselves apart with uniquely comprehensive portfolios. Their broad capabilities position them to deliver highly customized solutions tailored to the diverse and evolving needs of downstream customers.

Value chain analysis



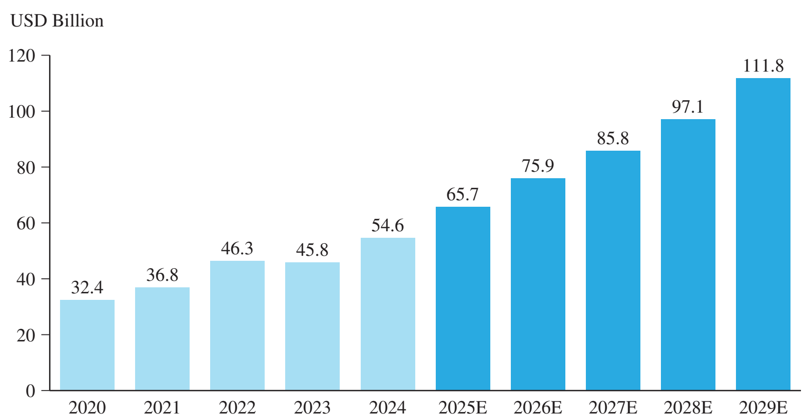
The integrated OWCD industry chain includes upstream suppliers of key raw materials (e.g., optical devices, integrated circuit chips, structural components, PCBs) and specialized equipment (e.g., coating machines and inspection tools) crucial for manufacturing photonics and network access devices. Midstream, integrated OWCD companies produce a variety of products across multiple categories, often through JDM or ODM models, to meet the customized needs of customers. Downstream players then incorporate these products into their solutions or data communication infrastructures, ultimately enhancing communication experiences for business and household end-users.

Market size of the OWCD industry

From 2020 to 2024, the global sales revenue of the OWCD industry has increased from USD32.4 billion to USD54.6 billion with a CAGR of 13.9%. The accelerating trend and intelligent transformation, coupled with favorable policies from various countries, have led the OWCD industry to undergo technological innovation and industrial upgrade. In addition, the rise in demand for computational power from AI applications, along with the high-speed growth phase of global data center construction and expansion, further promotes the development of the OWCD industry. Thus, due to the accelerated iteration and evolving frontier technologies, the global sales revenue of OWCD industry is expected to reach USD111.8 billion in 2029, representing a CAGR of 15.4% from 2024.

Sales revenue of the OWCD industry (Global), 2020-2029E

	CAGR 2020-2024	CAGR 2024-2029E
Global OWCD industry	13.9%	15.4%

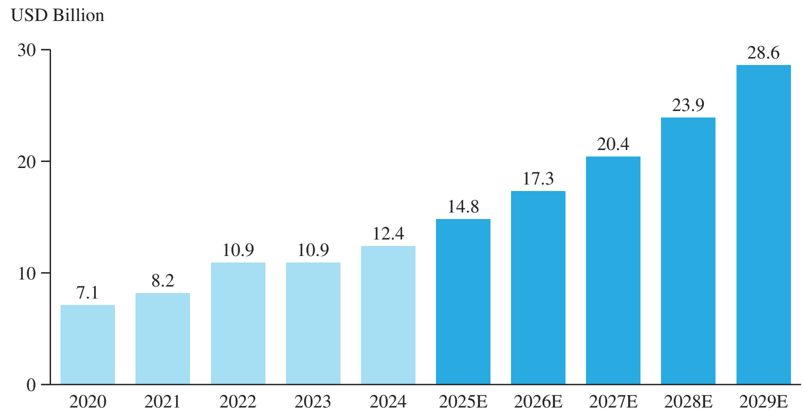


Source: Interviews with industry experts by F&S, F&S

From 2020 to 2024, the global sales revenue of the integrated OWCD industry has increased from USD7.1 billion to USD12.4 billion with a CAGR of 15.0%. Leading companies in the OWCD industry are well-positioned to drive market expansion by offering a comprehensive portfolio of advanced photonic components, PON devices, and wireless network access equipment. This diversified offering supports the rapid development of the global integrated OWCD industry. As customer demand grows for one-stop suppliers, the integrated OWCD providers are expected to become increasingly attractive to customers in the future. The global sales revenue of the integrated OWCD industry is expected to reach USD28.6 billion in 2029, representing a CAGR of 18.3% from 2024, surpassing that of the global OWCD industry in the same period.

Sales revenue of the integrated OWCD industry (Global), 2020-2029E

	CAGR 2020-2024	CAGR 2024-2029E
Global integrated OWCD industry	15.0%	18.3%



Source: Interviews with industry experts by F&S, F&S

Market drivers and developing trends

Global policies

Governments around the world are introducing policies to drive innovation and industrial upgrades in the optical and wireless communication sector. In the United States, support for data center construction has also promoted the demand for high-speed optical communication devices. For example, the recent announcement of the Stargate Project in January 2025 intends to invest USD500 billion over the next four years building new AI infrastructure in the United States Similarly, China has introduced a series of supportive policies, such as the "Guidance on the Construction of National Data Infrastructure", and several related policies, has strongly supported the rapid development of the optical and wireless communication industry.

Boom of AIGC and the AI technology

The boom of AIGC and other AI technologies is rapidly advancing the AI industry. In January 2025, a China-based AI LLM company launched an open-source lightweight AI large model, significantly enhancing the accessibility of AI technologies, thereby promoting the widespread adoption of AI technology. By February 2025, major AI models in the United States and China had reached over 50 million and 30 million daily active users, respectively. This surge, alongside falling training costs, is drawing more companies into the AI field, fostering a thriving ecosystem and accelerating demand for computational power. Global computational power is projected to grow at a CAGR of 42.2% from 2024 to 2029. Meanwhile, with 2024 as the baseline year, major global tech giants' investments on the development of AI infrastructure in the next three years are projected to increase by over 300% compared to the previous three years. To meet massive data transmission and real-time computing needs, OWCDs are becoming essential infrastructure, offering high bandwidth and low latency for AI development.

Proliferation of data centers fueling accelerated iteration of high-speed photonics demand

With the rapid development of cloud computing, global data centers are entering a stage of large-scale commercialization. The cumulative volume of data center racks is projected to reach 139.8 million units by 2029 at a CAGR of 32.8% from 2024. Thus, the photonics industry is undergoing rapid technological advancement and product iteration. High-speed photonics — such as 400G, 800G — offer greater bandwidth, lower latency, and higher efficiency, making them critical for interconnecting devices in and across data centers. Meanwhile, the next generation of 1.6T high-speed photonics is also undergoing accelerated research and development, with an expected mass production around 2026. As data demands grow, high-speed photonics will see increasing adoption in datacom applications, driving the accelerated iteration in the OWCD industry.

Evolving of frontier technologies in photonics

Driven by downstream demand, companies in the photonics industry are actively strengthening the R&D of new technologies. Below introduce the leading frontier technologies in the photonics industry:

- Silicon photonics technology uses existing CMOS processes to develop and integrate optical devices and photonics. Photonics integrating silicon photonic elements are expected to occupy a mainstream position in the future due to their advantages of high integration and low power consumption.
- Innovative packaging technologies such as linear-drive pluggable optics ("**LPO**"), by removing the digital signal processor ("**DSP**"), can significantly optimize the power consumption of photonics. Co-packaged optics ("**CPO**") technology, by co-packaging optical engine and switching chip on the same motherboard, can effectively reduce power consumption and improve transmission efficiency.
- Liquid-cooled photonics technology, through a unique liquid-cooled heat dissipation design, effectively improves heat dissipation efficiency and module stability.

Advanced broadband and wireless network technologies

With the rise of digital transformation and emerging technologies, advanced PON solutions are addressing growing demands for higher bandwidth and lower latency. 10GPON is now the mainstream for gigabit broadband deployment. Compared with 10GPON, 50G/25GPON can provide higher bandwidth, lower latency and stronger network scalability, better meeting the high-speed data transmission needs of scenarios. It is expected that 50G/25GPON products will achieve larger-scale deployment in the near term, with 100GPON and beyond emerging as longer-term trends. Meanwhile, the arrival of Wi-Fi 7 (IEEE 802.11be) marks a major leap in wireless connectivity, offering higher speeds, lower latency and better spectrum efficiency for data-intensive applications. As 5G, edge computing, and AI drive more complex wireless demands, Wi-Fi 7 helps meet these challenges and accelerates broader adoption. Meanwhile, advanced research into Wi-Fi 8 is already underway, aiming to further push the limits of wireless performance in the future.

Industry barriers

Technology development

The OWCD market is highly technical with significant entry barriers, especially in areas like photonics, PON devices, and wireless access equipment. Developing advanced technologies such as silicon photonics and high-speed, low-power devices requires deep expertise in materials, optics, and microelectronics, along with strong R&D and sustained investment. Leading players leverage cutting-edge innovation and smart manufacturing to stay ahead, while those lacking resources and integration capabilities face major challenges entering the market.

Customization capability

As the demand for efficient, personalized solutions rises, customization has become a key competitive edge. Integrated OWCD companies must tailor products for specific needs like data centers, AI and IoT, requiring both standardized offerings and flexible, responsive design and manufacturing. For new entrants, this poses a high barrier due to the significant investment needed to support such adaptability.

Product comprehensiveness

Leading companies in the integrated OWCD industry typically offer a broad product portfolio — covering photonics, PON devices, and wireless access equipment — with advanced technologies in each area. For example, photonics involves silicon and high-speed photonics, while PON devices are advancing toward 50G/25G to meet rising bandwidth needs. Strong players excel across multiple products and provide integrated solutions, creating synergy and raising entry barriers for new entrants.

Customers

Integrated OWCD customers mainly include ICT equipment providers, telecom operators, and tech companies such as data center and cloud service providers, all of whom demand high standards in quality, performance, reliability, and service. Due to large volumes and long procurement cycles, they rely heavily on trusted suppliers. New entrants must invest considerable time and resources to meet these standards and build trust, especially under deeply integrated models like JDM. Such close partnerships enhance customer loyalty and raise the entry barrier for newcomers.

Supply chain

To reduce supplier concentration risk and enhance supply chain resilience, integrated OWCD companies increasingly adopt multi-supplier strategies, ensuring stable access to key components and minimizing disruption risks. However, new entrants often lack the resources to build reliable, diversified supplier networks, creating a significant entry barrier to market competitiveness.

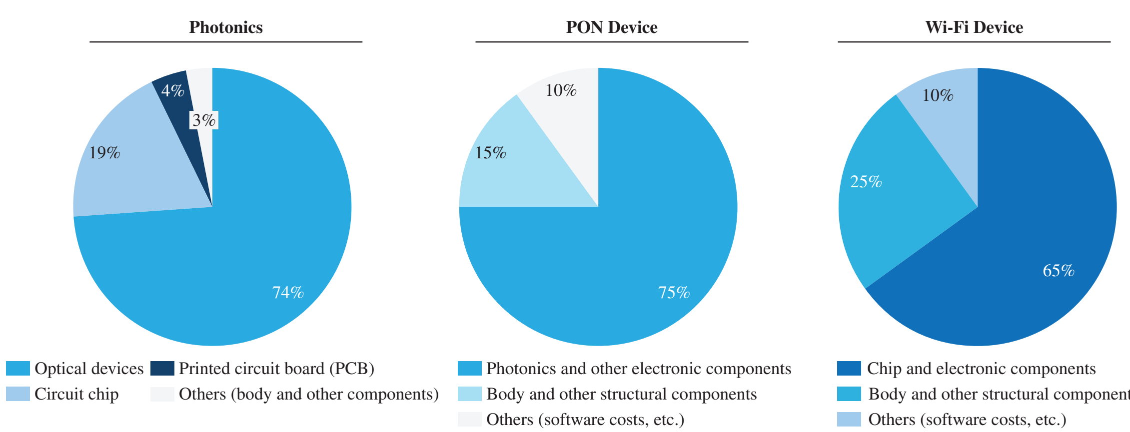
Globalization

Companies in the OWCD industry often need to establish a global presence spanning R&D, manufacturing, and sales operations. In particular, building globally distributed manufacturing and operational capabilities is critical to meeting the demands of fast-growing sectors such as AI, data centers, and IoT. This requires not only significant financial investment, but also strong global supply chain management, localized market strategies, and the ability to navigate complex regulatory and logistical environments. For new entrants, replicating this level of global integration and operational excellence poses a major barrier, demanding substantial resources and highly coordinated international strategies.

Cost structure

The raw materials of photonics mainly include optical devices (e.g., TOSA, ROSA and other optical devices), circuit chip, PCB and others (body and other components). Optical devices account for approximately 74% of the total cost of photonics. Among the optical devices include the TOSA, ROSA and other optical devices including optical filter, pigtail and other components. Meanwhile, different technologies adopted in photonics can impact the cost structure of various optical devices. For PON device, cost of photonics and other electronic components account for the major sector with 75% of the total cost. Body and other structural components and others (software costs, etc.) account for the rest 25%. Similarly, chip and electronic components account for 65% of the total cost for Wi-Fi device, the rest 35% includes the cost of body and other structural components and others (software costs, etc.).

Cost structure analysis of photonics, PON Device and Wi-Fi devices (Global), 2024

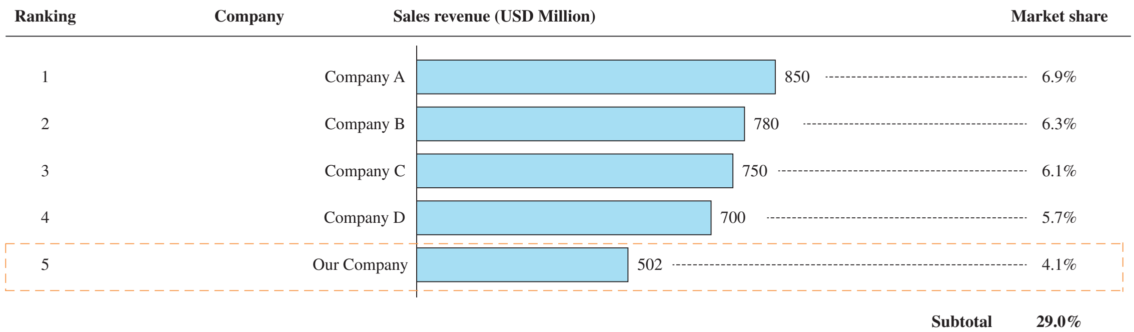


Source: Interviews with industry experts by F&S, F&S

Competitive landscape of the integrated OWCD industry

The global integrated OWCD industry is relatively competitive with total market size of USD12.4 billion in 2024. The top five players had an aggregate of 29.0% of the market share in the industry in terms of sales revenue. Our Company ranked fifth among all players, achieving sales revenue of USD502 million with a market share of 4.1% in global integrated OWCD industry.

Top five companies in the integrated OWCD industry by sales revenue (Global), 2024



Source: Interviews with industry experts by F&S, F&S

Note: The figures for other players may be subject to further adjustments based on the annual report disclosures of listed companies.

Among the integrated OWCD industry, market participants with full-sector coverage, including photonics, PON devices, and wireless network access devices, have the capability to provide end-to-end solutions. We are one of the few and the second largest market participant in the global integrated OWCD industry with full-sector coverage in 2024.

Sector coverage of global top five companies in the integrated OWCD industry, 2024

	Photonics	PON devices	Wireless network access devices
Company A	X	✓	✓
Company B	X	✓	✓
Company C	X	✓	✓
Company D	✓	✓	✓
Our Company	✓	✓	✓

Source: Official Websites of the Companies, Annual Reports of Listed Companies, Interviews with industry experts by F&S, F&S

Notes:

1. Company A is a listed company on the Taiwan Stock Exchange established in 1992, primarily engaging in businesses of PON devices and wireless network access devices.

2. Company B is a listed company on the Taiwan Stock Exchange established in 2003, primarily engaging in businesses of PON devices and wireless network access devices.

3. Company C is a listed company on the Shanghai Stock Exchange established in 1998, primarily engaging in businesses of PON devices and wireless network access devices.

4. Company D is an unlisted company established in 2003, primarily engaging in businesses of photonics, PON devices and wireless network access devices.

OVERVIEW OF MAJOR CORE DEVICES — GLOBAL PHOTONICS INDUSTRY

Definition and classification

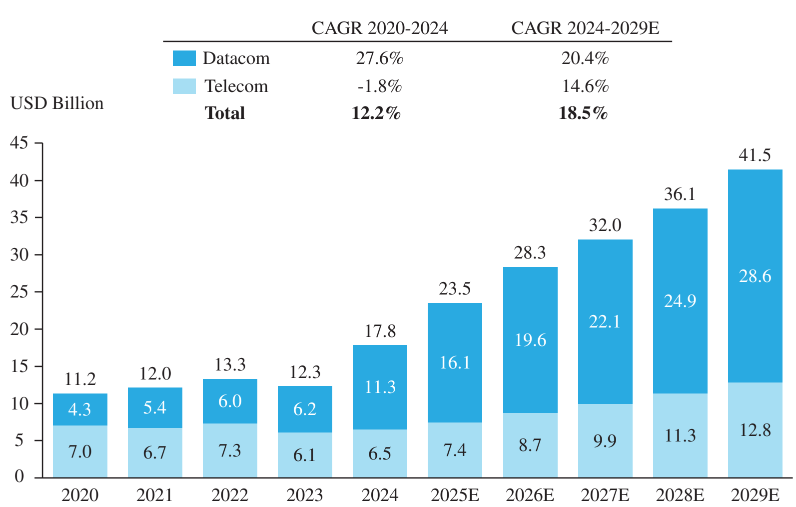
Photonics (i.e., optical transceivers and optical modules) are optoelectronic devices that convert optical and electrical signals, enabling data transmission essential for connecting data center infrastructure and telecommunication networks. They typically include a transmitter ("**TOSA**" with lasers), a receiver ("**ROSA**" with photodetectors), functional circuits, and optical/electrical interfaces. Transmission rate, measured in Gb/s, is a key performance metric. Currently, 800G is the most advanced in mass production, while 1.6T represents the next-generation technology under development. Photonics are mainly used in datacom and telecom. In datacom, they connect servers, switches, and storage in data centers. In telecom, they support metropolitan area networks ("**MANs**"), wide area networks ("**WANs**") and PONs, enabling efficient long-distance, high-capacity communication.

Market Size of the photonics industry

The photonics market has grown steadily in recent years, driven by demand for high-speed data transmission and data-intensive applications such as AI, cloud computing and 5G. From 2020 to 2024, global sales revenue of photonics rose from USD11.2 billion to USD17.8 billion, with a CAGR of 12.2%. In 2023, the photonics market declined due to global economic uncertainties, supply chain disruptions, slower cloud investment and industry cyclical fluctuations. However, the role of photonics in enabling the digital and intelligent transformation remains indispensable, laying the foundation for sustained growth in the coming years. Looking forward, it is expected that the sales revenue of global photonics industry will reach USD41.5 billion in 2029 with a CAGR of 18.5% from 2024.

In 2024, datacom photonics sales reached approximately USD11.3 billion, fueled by data center growth and AI advancements. This segment is projected to grow to USD28.6 billion by 2029, with a CAGR of 20.4% from 2024. While telecom photonics declined slightly in recent years, it is expected to rebound, driven by 5G and new network infrastructure, reaching USD12.8 billion in 2029 with a CAGR of 14.6% from 2024.

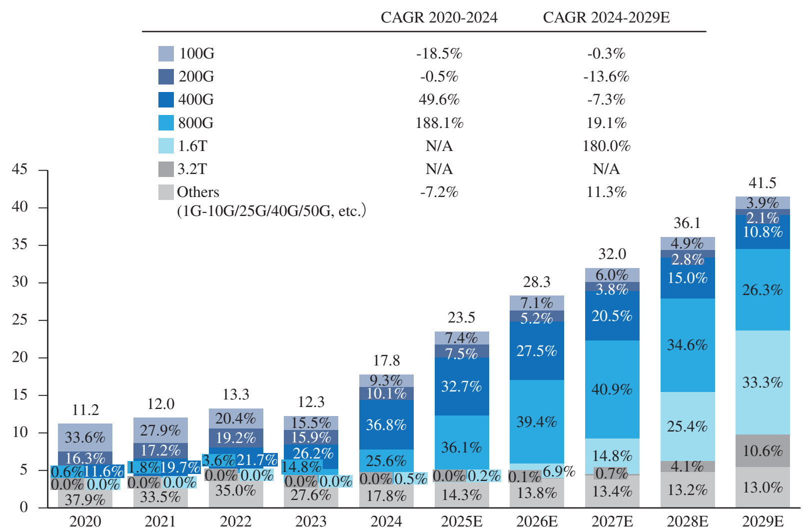
Sales revenue of photonics by application segment (Global), 2020-2029E



Source: LightCounting, Interviews with industry experts by F&S, F&S

Driven by the rapid growth of data centers and cloud computing, high-speed photonics — especially 800G and above — are expanding quickly. As the most advanced mass-produced technology, 800G photonics saw a CAGR of 188.1% from 2020 to 2024 and is projected to grow at 19.1% from 2024 to 2029. Meanwhile, 1.6T photonics, representing next-generation pre-production tech, is expected to surge with a 180.0% CAGR from 2024 to 2029, fueled by rising demand for higher bandwidth, lower power consumption, and AI-driven data processing. As hyperscale infrastructure expands, 1.6T is set to go mainstream, with 3.2T photonics on the horizon.

Sales revenue of photonics by rate (Global), 2020-2029E



Source: LightCounting, Interviews with industry experts by F&S, F&S

Competitive landscape of the photonics industry

The global photonics market is relatively competitive, driven by the increasing demand for high-speed data transmission in telecommunications, data centers and cloud computing. Key players include established companies from the United States, China, and Japan, each vying for market share through technological advancements and scaling production capabilities. Companies in China have made significant progress in recent years, benefiting from lower production costs and strong R&D capabilities. The market is also shaped by rapid developments in AI, 5G and IoT, driving further competition among these players.

OVERVIEW OF MAJOR CORE DEVICE — GLOBAL WIRED BROADBAND ACCESS DEVICE INDUSTRY

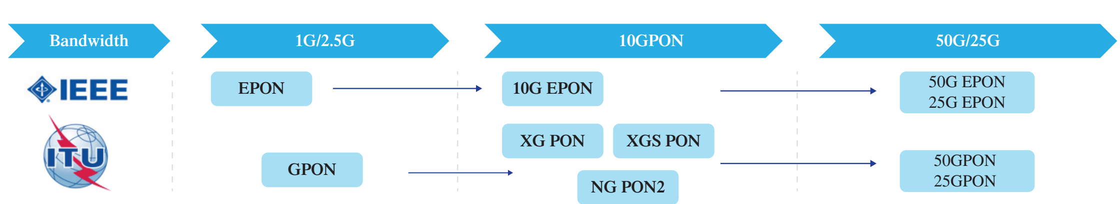
Definition and classification

Wired broadband access devices refer to hardware used to connect user terminal devices to broadband networks via wired connections. Passive optical network ("**PON**") devices serve as the core components of wired broadband access, providing reliable connectivity through a point-to-multipoint architecture.

Market size of the PON device industry

The market size of global PON device industry by sales revenue increased from USD6.2 billion in 2020 to USD7.8 billion in 2024, with a CAGR of approximately 5.8%. The decline in the global PON equipment market in 2023 and 2024 was mainly attributed to cyclical factors of the industry, including inventory adjustments and reduced capital expenditures by telecommunications operators. However, driven by the increasing demand for global 5G small cells and data centers, the market size of the global PON device industry is projected to further increase, reaching USD11.9 billion in 2029, with a CAGR of approximately 8.8% from 2024.

Evolution of PON technology

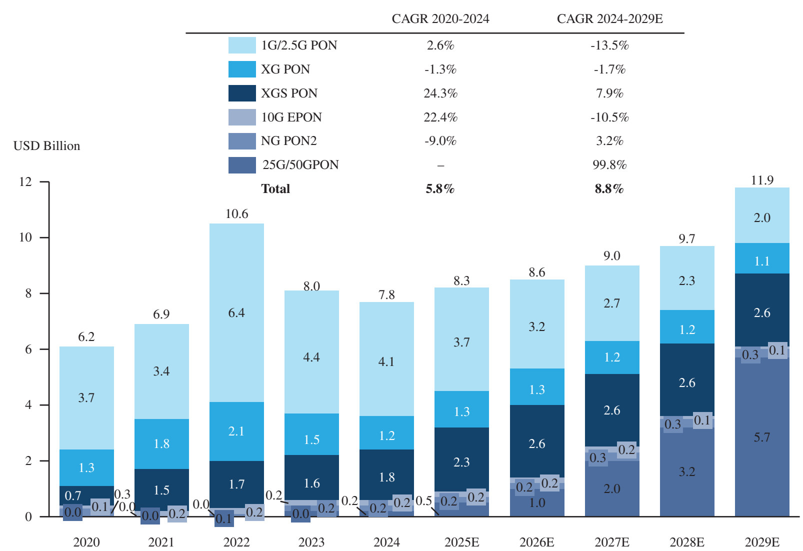


EPON and GPON, standardized in the early 2000s by IEEE and ITU-T, laid the groundwork for high-speed broadband access. GPON (2.5 Gb/s down/1.25 Gb/s up) became the mainstream FTTH solution since 2007, while EPON (1 Gb/s symmetrical), launched in 2008, offers a cost-effective Ethernet-based alternative. Together, 1G/2.5G PON devices generated USD3.7 billion in revenue in 2020, accounting approximately 60% of the total PON market.

10GPON technologies, including 10GEPON, XG-PON, and XGS-PON, represent major upgrades. Among them, XGS-PON is favored in Europe and the U.S. for its symmetrical bandwidth, especially in cloud and HD video scenarios. XGS-PON is projected to lead the 10GPON market, with its market size expected to reach USD1.8 billion in 2024 and grow to USD2.6 billion in 2029, capturing 21.9% of the total market share in 2029. NG-PON2, offering up to 40 Gb/s via WDM, remains underutilized due to high costs.

Looking ahead, 25GPON and 50GPON technologies are emerging to meet rising demand from data centers and 5G/6G networks. With downstream speeds of 25–50 Gb/s, these technologies are entering early deployment phases. The combined market is projected to reach USD5.7 billion by 2029, representing a CAGR of 99.8% from 2024, becoming core enablers of next-generation broadband infrastructure.

Sales revenue of PON devices by rate (Global), 2020-2029E



Source: LightCounting, Interviews with industry experts by F&S, F&S

Competitive landscape of the wired broadband access device industry

The global PON device market is relatively competitive, with a few players leading the industry while numerous regional and specialized companies also contribute to the landscape. Major companies compete on the basis of technology innovation, product quality and scalability. Key factors driving competition include the ongoing demand for faster internet speeds, the expansion of fiber networks and the shift towards next-generation PON technologies. As a result, companies are increasingly investing in R&D to enhance their product offerings and differentiate themselves in a rapidly evolving market.

OVERVIEW OF MAJOR CORE DEVICE — GLOBAL WI-FI DEVICE INDUSTRY

Definition and classification

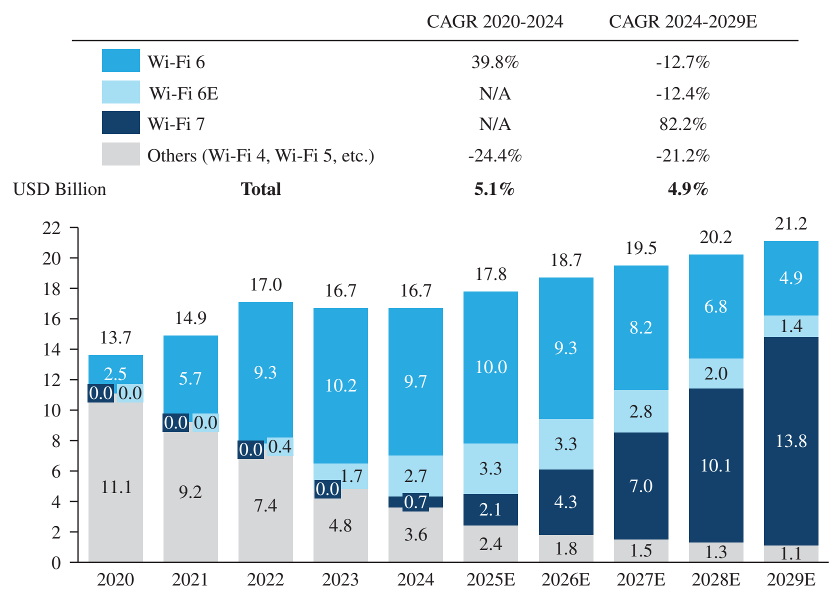
As key wireless network access devices, Wi-Fi devices refer to hardware used to connect user terminal devices to a computer network via wireless signals. These devices use radio waves to transmit data, providing convenient network access services. Wi-Fi devices are commonly used in homes, offices, public places, etc., supporting network access and data exchange for mobile devices. Wi-Fi devices mainly include wireless routers and access points ("**APs**"), etc.

Market Size of the Wi-Fi devices industry

The global Wi-Fi device industry, encompassing routers, APs, gateways, and other wireless equipment, has grown steadily due to rising demand for faster, more reliable wireless connectivity across homes, businesses, and industries. From 2020 to 2024, global sales revenue of Wi-Fi devices rose from USD13.7 billion to approximately USD16.7 billion, with a CAGR of around 5.1%. This growth is driven by evolving Wi-Fi standards, 5G rollout, and increasing numbers of connected devices.

Wi-Fi technology has evolved from Wi-Fi 1 (802.11) in 1997 to today's Wi-Fi 6 and 6E, significantly improving transmission speed, coverage, and device capacity. Wi-Fi 6 and Wi-Fi 6E currently dominate the market, generating USD9.7 billion and USD2.7 billion in sales revenue respectively in 2024. Looking ahead, Wi-Fi 7 is set to become a key enabler for high-speed, low-latency connectivity in smart homes, gaming, IoT, telemedicine, and intelligent vehicles. Global Wi-Fi 7 device sales are projected to reach USD13.8 billion by 2029, representing a CAGR of 82.2% from 2024.

Sales revenue of Wi-Fi devices by technology (Global), 2020-2029E



Source: IDC, Interviews with industry experts by F&S, F&S

Competitive landscape of Wi-Fi devices

The global Wi-Fi device market is relatively concentrated, with leading companies firmly holding market dominance through technological advantages, strong brand presence, and deeply established sales channels. In the future, industry competition will revolve around the development of next-generation wireless technologies (e.g., Wi-Fi 7), AI-powered capabilities, cloud-based management, and enhanced network security across multiple dimensions.

BUSINESS MODEL ANALYSIS OF INTEGRATED OPTICAL AND WIRELESS CONNECTIVITY DEVICES INDUSTRY

Integrated OWCD companies mainly collaborate with their customers through JDM and/or ODM models. In terms of manufacturing, contract manufacturing ("**CM**") and co-location manufacturing model are two models primarily adopted by these companies in addition to in-house manufacturing. The following are analyses of the major business models:

JDM vs. ODM

Different from ODM model, JDM emphasizes collaboration at each stage from product concept to final manufacture, allowing for high customization and innovation. It requires significant collaboration and close communication from both parties, particularly in design and development while ODM operates with more independent, streamlined approach, where integrated OWCD companies handles most of the design, development and manufacturing. Thus, JDM is resource-intensive and demands significant financial and operational capabilities as it involves extensive collaboration and customization, where companies with multiple large-scale customers are able to afford to make such investments. The table below represents the comparison between JDM and ODM models as follows:

	JDM		ODM	
Stage	**Customer involvement**	**Description**	**Customer involvement**	**Description**
Software development	◑	Joint involvement of customers: Collaborative design and development with the customer	○	No material involvement of customers: Integrated OWCD company handles software design independently
Hardware development	◑	Joint involvement of customers: Collaborative efforts with the customer to design hardware	○	No material involvement of customers: Integrated OWCD company handles hardware development independently
New production introduction/ prototype/testing	◑	Joint involvement of customers: Joint efforts in prototyping, testing and ensuring quality	○	No material involvement of customers: Integrated OWCD company independently creates prototypes and conducts testing
Manufacture	◑	Joint involvement of customers: Manufacturing occurs in close collaboration with the customer	○	No material involvement of customers: Manufacturing is handled independently by the integrated OWCD company
Sales	●	Full involvement of customers: Customer is leading the sales and marketing activities	◕	Customer is leading sales and marketing activities of the customized products, while integrated OWCD company may promote the standard products under separate branding

Contract manufacturing ("CM") vs. Co-location manufacturing

The CM model is typically more focused on large-scale contract manufacturing. Compared with CM model, co-location manufacturing offers a flexible, integrated approach, which has become a manufacturing model commonly used in the industry. Under this model, companies typically retain control over core elements such as product design, key materials, key equipment, and overall management, while local partners are responsible for manufacturing operations, labor, and compliance with local regulations. This model supports consistent global quality standards, enhances supply chain responsiveness, and improves cost efficiency. By leveraging local expertise, it also helps mitigate geopolitical risks and facilitates agile capacity deployment with relatively low capital investment, making it a widely adopted option among integrated OWCD companies. The table below represents the comparison between CM and co-location manufacturing models as follows:

Criteria	CM	Co-location manufacturing
Process design	Developed and owned by the manufacturing partner	Developed and owned by integrated OWCD company, transferred to its manufacturing partner
Manufacturing and testing process intellectual property	Belongs to the manufacturing partner	Belongs to integrated OWCD company
Production, labor and facilities	Handled by the manufacturing partner	Handled by the manufacturing partner in compliance with established procedures and protocols of integrated OWCD company
Raw material procurement	Procured by the manufacturing partner	Integrated OWCD company provides core raw materials
Equipment	Provided by the manufacturing partner	Integrated OWCD company provides core equipment
Production quality control	Supervised and managed by the manufacturing partner	Supervised and managed by personnel assigned by integrated OWCD company

I. LAW AND REGULATIONS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS IN THE PRC

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. The following is a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Investment activities in China by foreign investors are principally regulated by (i) the *Catalogue of Encouraged Industries for Foreign Investment* (《鼓勵外商投資產業目錄》) (the "**Encouraging Catalog**"), (ii) the *Special Administrative Measures (Negative List) for Foreign Investment Access* (《外商投資准入特別管理措施(負面清單)》) (the "**Negative List**"), each of which was promulgated and amended from time to time by the NDRC, and (iii) the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》)(the "**Foreign Investment Law**"), which was adopted by the NPC on March 15, 2019, and became effective on January 1, 2020, as well as their respective implementation rules and ancillary regulations.

Guidance Catalog of Industries for Foreign Investment

The Encouraging Catalog and the Negative List lay out the basic framework governing foreign investment in China, classifying businesses into three categories, namely the "encouraged" category, the "restricted" category, and the "prohibited" category, based on the level of participation allowed to and conditions required of foreign investment.

On October 26, 2022, the MOFCOM and the NDRC released the *Catalogue of Encouraged Industries for Foreign Investment (Edition 2022)* (《鼓勵外商投資產業目錄(2022年版)》), which became effective on January 1, 2023 and replaced the previous Encouraging Catalog. On September 6, 2024, the MOFCOM and the NDRC released the *Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024)* (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List 2024**"), which became effective on November 1, 2024 and replaced the previous Negative List. Any industry not listed on the Negative List 2024 is a permitted industry and generally accessible to foreign investment unless specifically prohibited or restricted by any PRC laws or regulations.

The Foreign Investment Law

The Foreign Investment Law is formulated to further expand the opening-up of the Chinese economy, vigorously promote foreign investment and safeguard the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, a foreign investment means any foreign investor's direct or indirect investment in China, including: (i) establishing foreign-invested enterprises (the "**FIEs**") in China either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares or other similar interests in Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations or by the State Council of the PRC. Foreign investments are entitled to pre-entry national treatment and are subject to the Negative List. The pre-entry national treatment means that the treatment accorded to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The State implements special administrative procedures for access to foreign investment in specific fields and foreign investors shall not invest in any prohibited fields stipulated in the Negative List and shall meet the conditions stipulated in the Negative List before investing in any restricted fields.

The investment, earnings and other legitimate rights and interests of a foreign investor within the territory of China shall be protected in accordance with the law, and all national policies supporting the development of enterprises shall apply equally to FIEs. The State guarantees that FIEs are able to participate in the formulation of standards in an equal manner and government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. The State may levy or expropriate the investment of foreign investors in accordance with the law for the public interest. The expropriation and requisition shall follow legal procedures and timely and reasonable compensation shall be given. In business activities, FIEs shall comply with applicable rules and regulations on labor protection, social insurance, tax, accounting, foreign exchange and other matters prescribed by law.

On December 26, 2019, the State Council promulgated the *Implementation Regulations for the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020, and further requires that FIEs and domestic enterprises be treated equally with respect to policy making and implementation.

On December 30, 2019, the MOFCOM and the SAMR jointly issued the *Measures on Reporting of Foreign Investment Information* (《外商投資信息報告辦法》) (the "**Foreign Investment Information Measures**"), which came into effect on January 1, 2020 and replaced the *Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》). Starting from January 1, 2020, foreign investors and FIEs in the PRC shall submit information relating to their investment through the Enterprise Registration System and the National Enterprise Credit Information Publicity System established by the SAMR by submitting initial reports of establishment, reports on changes to the investment, reports on termination of the investment and annual investment reports in accordance with the Foreign Investment Information Measures. Where a foreign investor or a FIE fails to submit any required information or make any correction or resubmission when directed by the competent authority, it may be subject to a fine of up to RMB300,000 (or RMB500,000 in the event of serious violations).

LAWS AND REGULATIONS RELATING TO OUR BUSINESS

According to the *Radio Regulations of the PRC* (《中華人民共和國無線電管理條例》), which was issued by the State Council and the Central Military Commission on September 11, 1993, revised on November 11, 2016, and came into effect on December 1, 2016. The radio regulatory authority of the state shall be responsible for radio regulation nationwide, The production or import of radio transmitting equipment for domestic sale and use shall be in compliance with the laws and regulations on product quality, national standards and the provisions of the state on radio regulation. Except for micro power short-distance radio transmitting equipment, for any production or import of other radio transmitting equipment for domestic sale and use, an application for model confirmation shall be filed with the radio regulatory authority of the state. For anyone who, in violation of the provisions hereof, produces or imports any radio transmitting equipment sold or used within China without obtaining model confirmation, the radio regulatory authority shall order the violator to take corrective action, and impose a fine ranging from RMB50,000 to RMB200,000 on the violator; and if the violator refuses to take corrective action, shall confiscate the radio transmitting equipment without model confirmation, and impose a fine ranging from RMB200,000 to RMB1 million on the violator. For anyone who sells any radio transmitting equipment for which model confirmation should have been obtained in accordance with the provision of Article 44 hereof, the radio regulatory authority shall order the violator to take corrective action, confiscate illegally sold radio transmitting equipment and illegal income, and may impose a fine of not more than 10% of the goods value of illegally sold equipment; and if it refuses to take corrective action, shall impose a fine of not less than 10% but not more than 30% of the goods value of illegally sold equipment on the violator.

According to the *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》) issued by the State Council on September 25, 2000, revised on February 6, 2016, and effective on the same day. The State shall implement a network connection licensing system for telecommunications terminal equipment, radio telecommunications equipment, and interconnection-related equipment. Telecommunications terminal equipment, radio telecommunications equipment, and interconnection-related equipment accessing a public telecommunications network shall comply with the standards stipulated by the State, and obtain a network connection permit. Telecommunications equipment manufacturing enterprises shall guarantee the quality and reliability of telecommunications equipment which has obtained a network connection permit, and shall not lower product quality or performance. Selling telecommunications terminal equipment which does not carry a network connection permit shall be ordered by the telecommunications administration authorities of the province, autonomous region or centrally-administered municipality to make corrections and be imposed a fine ranging from RMB10,000 to RMB100,000. Any offender who violates the provisions of these Regulations in the lowering of product quality or performance after obtaining the telecommunications equipment network connection permit, shall be punished by the product quality supervision authorities pursuant to the provisions of the relevant laws and administrative regulations.

According to the *Measures for the Administration of Telecommunications Equipment Network Access* (《電信設備進網管理辦法》), which was issued by the Ministry of Information Industry (abolished) on May 10, 2001, revised by the Ministry of Industry and Information Technology (the "**MIIT**") on January 18, 2024, and came into effect on the same day, telecommunications equipment manufacturers (hereinafter referred to as manufacturers) must comply with national laws, regulations, and policy requirements when applying for telecommunications equipment network access licenses. The telecommunications equipment applying for network access licenses must meet national standards, communication industry standards, and the requirements of the MIIT. Telecommunications equipment manufacturers shall have a sound quality assurance system and after-sales service measures. Manufacturers that have obtained network access licenses shall accept the supervision and management of the communications administrations of the provinces, autonomous regions, or municipalities directly under the Central Government where they are located. For those who forge, fraudulently use, transfer network access licenses, or fabricate network access license numbers, the MIIT or the communications administrations of the provinces, autonomous regions, or municipalities directly under the Central Government shall confiscate their illegal earnings and impose a fine of not less than three times but not more than five times the illegal earnings. If there are no illegal earnings or the illegal earnings are less than RMB10,000, a fine of not less than RMB10,000 but not more than RMB100,000 shall be imposed.

On October 22, 2019, the MIIT issued the *Guiding Opinions of the Ministry of Industry and Information Technology on Accelerating the Cultivation of New Modes and New Forms of Shared Manufacturing to Promote the High-quality Development of the Manufacturing Industry* (《工業和信息化部關於加快培育共享製造新模式新業態促進製造業高質量發展的指導意見》). It is clearly stipulated therein that efforts shall be made to promote the construction of new infrastructure. Specifically, the construction of new-type infrastructure, including 5G, artificial intelligence, the industrial Internet, and the Internet of Things, shall be strengthened, and the coverage scope of high-speed, large-capacity, and low-latency networks shall be expanded. Manufacturing enterprises are encouraged to achieve the interconnection of people, machines, and things by means of the transformation and upgrading of their internal networks, thereby providing information network support for shared manufacturing.

On November 10, 2019, the NDRC, the MIIT, the Cyberspace Administration of China, the Ministry of Education, the MOF, the Ministry of Human Resources and Social Security, the Ministry of Natural Resources, MOFCOM, the PBOC, the SAMR, the National Bureau of Statistics, the National Copyright Administration, the China Banking and Insurance Regulatory Commission, the CSRC, and the National Intellectual Property Administration jointly issued the *Implementation Opinions on Promoting the In-depth Integration and Development of Advanced Manufacturing and Modern Service Industries* (《關於推動先進製造業和現代服務業深度融合發展的實施意見》). It is proposed therein that the innovative application of the industrial Internet shall be accelerated. Supported by the construction of network infrastructure, the development of an application platform system, and the improvement of security guarantee capabilities, efforts shall be made to promote the connection of all elements and the entire industrial chain in the manufacturing industry, improve the collaborative application ecosystem, and build a digital, networked, and intelligent manufacturing and service system. Moreover, the integrated development of the manufacturing industry, the service industry, and the Internet shall be deepened, "Internet +" shall be vigorously developed, development vitality and potential shall be stimulated, and a new ecosystem for integrated development shall be created.

On March 6, 2020, the General Office of the MIIT issued the *Notice of the General Office of the Ministry of Industry and Information Technology on Promoting the Accelerated Development of the Industrial Internet* (《工業和信息化部辦公廳關於推動工業互聯網加快發展的通知》). It was proposed therein that the internal and external networks of the industrial Internet should be transformed and upgraded. Specifically, efforts should be made to promote basic telecommunications enterprises to build high-quality external networks covering all prefecture-level cities across the country, and create 20 excellent service cases for enterprise industrial Internet external networks. Industrial enterprises are encouraged to upgrade and transform the internal networks of the industrial Internet, create 10 benchmark networks, and promote 100 leading enterprises in key industries and 1,000 local backbone enterprises to carry out the upgrading and transformation of the internal networks of the industrial Internet.

On March 24, 2021, the MIIT issued the *Action Plan for the Coordinated Development of 'Dual Gigabit' Networks (2021-2023)* (《"雙千兆"網絡協同發展行動計劃(2021-2023年)》). It proposed that within three years, the "dual gigabit" network infrastructure comprehensively covering urban areas and conditional towns and townships should be basically completed, so that both fixed and mobile networks generally have the capacity to provide gigabit-to-the-home services. Specific targets were set: by the end of 2021, the gigabit fiber-optic network should be capable of covering 200 million households, the scale of 10GPON and above ports should exceed 5 million, and the number of gigabit broadband users should exceed 10 million; by the end of 2023, the gigabit fiber-optic network should be capable of covering 400 million households, and the scale of 10GPON and above ports should exceed 10 million.

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

On January 22, 2022, the General Office of the MIIT and the General Office of the NDRC issued the *Notice on Promoting Cloud-Network Integration and Accelerating the Construction of Information Infrastructure in Small and Medium-Sized Cities* (《關於促進雲網融合加快中小城市信息基礎設施建設的通知》). It was proposed that by 2025, the cloud-network infrastructure covering small and medium-sized cities should be basically completed in the eastern region, as well as in most parts of the central, western, and northeastern regions. The construction goals of "Gigabit Connectivity in a Thousand Cities" and "A Thousand Cloud Resource Pools in a Thousand Cities" should be achieved, that is, gigabit access capabilities and cloud resource pools should cover more than 1,000 small and medium-sized cities.

REGULATIONS RELATING TO PRODUCTION SAFETY

On June 29, 2002, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the *Production Safety Law of the PRC* (《中華人民共和國安全生產法》) (the "**Production Safety Law**"), which was recently amended by the SCNPC on June 10, 2021 and became effective on September 1, 2021. According to the Production Safety Law, enterprises that are engaged in production and business activities shall abide by the relevant laws and regulations concerning work safety, strengthen work safety management, establish and improve the all-staff work safety responsibility system and work safety rules and regulations, increase investment in funds, materials, technologies and personnel for work safety, improve the conditions for work safety, strengthen the standardized and information technology development of work safety, establish a dual prevention mechanism of graded management and control of safety risks and the screening and handling of hidden dangers, improve the risk prevention and resolution mechanism, and improve the level of work safety so as to ensure workplace safety. The safety facilities of a producer or business operator for engineering projects to be built, renovated or expanded shall be designed, constructed, and put into operation and use simultaneously with the principal part of the projects. Investments in safety facilities shall be included in the budgetary estimates for the construction projects. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

REGULATIONS RELATING TO PRODUCT QUALITY

According to the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and recently amended with immediate effect on December 29, 2018, producers shall: (i) be responsible for the quality of the products they produce; (ii) not produce products that have been explicitly eliminated by the state; (iii) not forge the place of origin, forge or falsely use the name and address of another person's factory; and not forge or fraudulently use quality marks such as certification marks; (iv) not produce or market adulterated products or use fake goods as genuine or sub-standard products as standard; and (v) ensure that the packaging quality of fragile, flammable, explosive, toxic, corrosive, radioactive and other dangerous goods, products that cannot be inverted during storage and transportation and other products with special requirements meets the corresponding requirements, and make warning signs or warning instructions in Chinese, or indicate matters needing attention during storage and transportation. If a defect in the product causes damage to the person or property of others, the victim may claim compensation from the producer of the product or from the seller of the product. Producers or sellers who produce or sell substandard products will be ordered to cease production and sales, the illegally produced or sold products will be confiscated, and a fine will be imposed. If there is any illegal income, the illegal income will also be confiscated. If the circumstances are serious, the business license shall be revoked. If a crime is constituted, criminal responsibility shall be investigated in accordance with law.

According to the *Civil Code of the PRC* (《中華人民共和國民法典》) promulgated by the SCNPC on May 28, 2020 and became effective on January 1, 2021, if a defect of a product causes damage to another person, the infringed person may claim compensation against the manufacturer or the seller of the product. If the infringer knows that the product is defective and still produces or sells it, or fails to take effective remedial measures in accordance with the provisions of the Civil Code of the PRC, resulting in the death of another person or serious damage to the health of another person, the infringed person shall be entitled to claim corresponding punitive damages. If a product is defective due to the fault of a third party, such as a transporter or warehouseman, and causes damage to another person, the producer or seller of the product shall have the right to recover compensation from the third party after making compensation to the infringed person.

REGULATIONS RELATING TO CONSTRUCTION AND ENVIRONMENTAL PROTECTION

Regulations on construction

According to the *Urban and Rural Planning Law of the PRC* (《中華人民共和國城鄉規劃法》) which was promulgated by the SCNPC with effect from January 1, 2008 and recently amended with immediate effect on April 23, 2019, the *Construction Law of the PRC* (《中華人民共和國建築法》) which was promulgated by the SCNPC with effect from March 1, 1998 and recently amended with immediate effect on April 23, 2019 and the *Regulation on Quality Management of Construction Projects* (《建設工程質量管理條例》) which was promulgated on January 30, 2000 and amended with immediate effect on April 23, 2019, the construction activities carried out in the built-up areas of cities, towns and villages as well as areas that must be under planning control for urban and rural construction and development shall be in compliance with the relevant requirements of the Urban and Rural Planning Law of the PRC. The construction entity shall obtain the construction land planning permit and the construction project planning permit from the competent department of urban and rural planning under the people's government at the county level, and shall obtain the construction permit from the competent department of housing and urban and rural construction under the people's government at municipal and county level or above of the place of the construction project before commencement of construction. After receiving the construction project completion report, the construction entity shall organize the entities of design, construction, project supervision and other relevant entities to complete the acceptance.

According to the *Regulations on the Administration of Approval and Filing of Enterprise Investment Projects* (《企業投資項目核准和備案管理條例》), which was promulgated by the State Council on November 30, 2016 and came into effect on February 1, 2017, projects related to national security, major productivity distribution, strategic resource development and major public interests are subject to approval management. The specific project scope, the approval authority and the approval power shall be implemented in accordance with the catalog of investment projects approved by the government.

LAWS AND REGULATIONS RELATING TO FIRE PREVENTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and implemented since September 1, 1998, and last amended on April 29, 2021 and implemented since the same date, together with the *Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design for Construction Projects* (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and implemented since June 1, 2020, and last amended on August 21, 2023 and implemented since October 30, 2023, the fire prevention design and construction work of a construction project must conform to the national fire prevention technical standards. For construction projects which are required to have fire prevention design in accordance with the national fire prevention technical standards for project construction, the examination and acceptance system on fire prevention design for construction project shall be applied. Where, upon the completion of construction projects, application for acceptance on fire prevention is required by the competent department of housing and urban-rural development under the State Council, the construction entities shall apply to the competent department of housing and urban-rural development for acceptance checks for fire prevention. With respect to construction projects other than those mentioned above, construction entities shall, after an acceptance check, file their results to the competent department of housing and urban-rural development for record purposes, and such department shall conduct random inspections thereof. Construction projects that are subject to fire prevention acceptance check in accordance with the laws are prohibited from being put into use if they do not go through or fail the fire prevention acceptance check. Other construction projects that fail the random inspections according to laws shall be suspended from using.

Regulations in relation to environmental protection

According to *the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989 and last amended on April 24, 2014 and which came into effect on January 1, 2015, *the Environmental Impact Assessment Law of the PRC* (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002 and latest amended on December 29, 2018, and the *Administrative Regulations on the Environmental Protection of Construction Project* (《建設項目環境保護管理條例》), promulgated by the State Council on November 29, 1998 and last amended on July 16, 2017 and which came into effect on October 1, 2017, enterprises which plan to construct projects shall engage qualified professionals to provide the assessment reports, assessment form, or registration form on the environmental impact of such projects. The assessment reports, assessment form, or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Regulations relating to pollutant discharge permits

According to the *Regulations on the Administration of Pollutant Discharge Permits* (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and coming into effect on March 1, 2021, enterprises, institutions and other producers and operators subject to pollutant discharge permit management should apply for and obtain pollutant discharge permits in accordance with the provisions of the regulations. Those who have not obtained pollutant discharge permits are not allowed to discharge pollutants.

According to the *Classified Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition)* (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019 and coming effective on the same day, a pollutant discharge entity subject to registration management is not required to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the management information platform of state pollutant discharge permits, and register its basic information, pollutant discharge route, pollutant discharge standards implemented, pollution prevention and control measures adopted, and other information.

REGULATIONS RELATING TO THE IMPORT AND EXPORT OF GOODS AND TECHNOLOGY

According to the *Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, which was recently amended with immediate effect on December 30, 2022, and the *Notice of the Department of Enterprise Management and Inspection on Matters Related to the Record-filing of Consignors and Consignees of Import and Export Goods* (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) published by the General Administration of Customs of the PRC with immediate effect on January 3, 2023, if consignors and consignees of import and export goods apply for record-filing, they shall obtain the market entity qualification and are not required to obtain the record-filing of foreign trade business operators. For technologies that fall under the category of free import and export, the contract record-filing and registration formalities shall be handled with the foreign trade department in charge under the State Council or the institutions entrusted by it.

According to the *Law of the PRC on Import and Export Commodity Inspection* (《中華人民共和國進出口商品檢驗法》) promulgated by the SCNPC on February 21, 1989 and implemented since August 1, 1989, and last amended on April 29, 2021 and came into effect on the same date, and the *Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection* (《中華人民共和國進出口商品檢驗法實施條例》) promulgated by the State Council on August 31, 2005 and implemented since December 1, 2005, and last amended on March 29, 2022 and implemented since May 1, 2022, the General Administration of Customs shall be responsible for inspection of import and export commodities in the PRC. The entry-exit inspection and quarantine authorities shall conduct inspection on the import and export of commodities listed in the catalog and on the import and export other commodities that shall be subject to the inspection by the entry-exit inspection authorities as prescribed by laws and administrative regulations. For the imported and exported commodities other than those that are subject to inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities shall conduct random inspection in accordance with state regulations. Imported commodities subject to inspection may not be sold or used if they have not been inspected. Exported commodities subject to inspection may not be exported if they have not been inspected or fail to pass the inspection.

REGULATIONS RELATING TO OVERSEAS INVESTMENT

The *Measures for Overseas Investment Management* (《境外投資管理辦法》) was promulgated by the MOFCOM on March 16, 2009, which was amended on September 6, 2014 and came into effect on October 6, 2014. As defined therein, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration.

The *Administrative Measures for Outbound Investment by Enterprises* (《企業境外投資管理辦法》) was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be compiled with, including approval and record-filing of overseas investment projects, reporting relevant information and cooperating with the supervision and inspection. The NDRC promulgated the *Catalog of Sensitive Sectors for Outbound Investment (2018 Edition)* (《境外投資敏感行業目錄(2018年版)》) on January 31, 2018 and came into effect on March 1, 2018, to list the current sensitive industries in detail.

According to (i) the *Foreign Exchange Administration Rules on Outbound Direct Investment of the PRC Organizations* (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE on July 13, 2009 and becoming effective on August 1, 2009 and (ii) the *Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated on February 13, 2015 and becoming effective on June 1, 2015, which was partially abolished by the SAFE, a PRC enterprise which has completed the approval or filing procedures at the outbound investment regulatory authorities shall make the registration with

SAFE through its designated banks in connection with its outbound direct investment and obtain a corresponding SAFE registration certificate. With the approval or filing certificate issued by the outbound investment regulatory authorities and the SAFE registration certificate, the PRC enterprise can remit funds outside the PRC through the designated banks for the purpose of outbound direct investment. In the event of changes to certain basic information of the offshore company registered at SAFE's system, the PRC enterprise shall make the alteration registration with SAFE through its designated banks.

Pursuant to the *Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing* (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), promulgated by the SAFE with immediate effect on December 26, 2014, domestic companies listed overseas shall submit the registration documents for their overseas listings to domestic banks to open designated foreign exchange accounts regarding their initial or follow-on offerings and share repurchases, and handle the exchange, transfer and remittance of relevant funds through such designated accounts, and the proceeds raised from overseas listings of a domestic company may be remitted into the PRC or deposited overseas, and the use of such proceeds shall be consistent with those set out in the document or other publicly disclosed documents such as the corporate bonds offering documentations, board resolutions or shareholders' resolutions.

REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor contract

According to the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, which was recently amended on December 28, 2012 and became effective on July 1, 2013, and the *Implementation Rules of the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council with immediate effect on September 18, 2008, a written employment contract shall be entered into to create an employment relationship. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is created, the employer must enter into a written employment contract with the employee and pay the employee an amount equal to twice such employee's salary for the period from the day following the lapse of one month from the date of the creation of the employment relationship to the day prior to the execution of the written employment contract. These rules also require compensation to be paid by the employer in certain events as a result of the termination. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of any restrictive period after the termination or expiry of the labor contract. In most cases, employers are also required to provide severance payment to their employees after their employment relationships are terminated.

Social Insurance and Housing Provident Fund

According to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and amended with immediate effect on December 29, 2018, the *Administrative Regulations on Housing Provident Fund* (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and recently amended with immediate effect on March 24, 2019 and the *Provisional Regulations on Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and amended with immediate effect on March 24, 2019, a domestic enterprise shall pay a premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears. If the employer fails to pay the housing fund within the prescribed time, it may be ordered to pay within a certain period of time, and if it still fails to pay, compulsory enforcement by the court can be applied.

According to the *Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees* (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) which was promulgated by the State Council with immediate effect on March 6, 2019, the PRC facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment. According to the *Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council and Effectively Doing a Good Job in Stabilizing the Collection of Social Insurance Premiums* (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) which was promulgated by the Ministry of Human Resources and Social Security with immediate effect on September 21, 2018, it is strictly prohibited to independently organize centralized collection and clearance of enterprises' historical arrears of social insurance premiums. Those that have already carried out centralized collection and clearance should immediately correct it and properly handle the follow-up work.

LAWS AND REGULATIONS RELATING TO CYBERSECURITY AND DATA SECURITY

On July 1, 2015, the SCNPC promulgated the *State Security Law of the PRC* (《中華人民共和國國家安全法》), which became effective on the same day, pursuant to which the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, projects relating to national security matters and other important activities that are likely to impact national security of China. According to the State Security Law of the PRC, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state, and the capability to maintain a sustained security status are not faced with any danger and not threatened internally or externally.

The SCNPC promulgated the *Data Security Law of the PRC* (《中華人民共和國數據安全法》) on June 10, 2021, which became effective on September 1, 2021, for the establishment of a data classification and hierarchical protection system to conduct classified and hierarchical protection of data. Entities carried out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

Pursuant to *Measures on Cybersecurity Review* (《網絡安全審查辦法》) jointly announced by the Cyberspace Administration of China and several regulatory authorities in China on April 13, 2020 and implemented since June 1, 2020, last amended on December 28, 2021 and implemented since February 15, 2022, the Cybersecurity Review Office is established under the Cyberspace Administration of China, and responsible for formulating cybersecurity review systems and standards and organizing cybersecurity reviews. Key information infrastructure operators who purchase network products and services and network platform operators who engage in data processing activities that affect or may affect national security are subject to cybersecurity review by the Cybersecurity Review Office. Network platform operators with personal data of more than one million users must file applications to the Cybersecurity Review Office for cybersecurity review before listing overseas. If the member units under the cybersecurity review working mechanism opine that any network products and services and data processing activities affect or potentially affect national security, the Cybersecurity Review Office has the duty to conduct a review in accordance with relevant requirements after reporting to the Central Cyberspace Affairs Commission for approval in compliance with the procedure.

The *Personal Information Protection Law of the PRC* (《中華人民共和國個人信息保護法》) (the "**PIPL**") was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021. The PIPL stipulates the scope of personal information and the ways of processing personal information, establishes rules for processing personal information and for providing personal information to overseas recipients, and clarifies the individual's rights and the processor's obligations in the process of personal information processing.

The Cyberspace Administration of China promulgated the *Security Assessment Measures for Data Provision Abroad* (《數據出境安全評估辦法》) (the "**Security Assessment Measures**"), which came into effect on September 1, 2022. The Security Assessment Measures specifies the circumstances where a cross-border data transfer is subject to security assessment.

The MIIT promulgated the *Administrative Measures on Data Security in the Field of Industry and Information Technology (for Trial Implementation)* (《工業和信息化領域數據安全管理辦法(試行)》), effect on January 1, 2023. The Measures applies to the data processing activities in the field of industry and information technology carried out within the territory of China, and sets out a series of data security protection obligations for data processors in such field, such as establishing a full life-cycle data security management system, appointing data security management personnel, and conducting filings for the important data and core data processed by the data processors.

The Cyberspace Administration of China promulgated the *Provisions on Promoting and Regulating Crossborder Data Flows* (《促進和規範數據跨境流動規定》), which came into effect on March 22, 2024. The Provisions specifies the circumstances where it is not required to apply for security assessment for data to be provided abroad, to conclude a standard contract for personal information to be provided abroad or to pass the certification for personal information protection.

On September 24, 2024, the State Council promulgated the *Regulation on Network Data Security Management* (《網絡數據安全管理條例》), which has come into force on January 1, 2025. The Regulation on Network Data Security Management introduces several key obligations, including requiring network data handlers to specify the purpose and method of personal information processing, as well as the types of personal information involved, before any personal information is handled. It also outlines the obligations of those handling important data, establishes broader contractual requirements for data sharing between data handlers, and introduces a new exemption for regulatory obligations regarding cross-border data transfers.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the *Patent Law of the PRC* (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984 and recently amended on October 17, 2020 and became effective on June 1, 2021, and the *Implementation Rules of the Patent Law of the PRC* (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, which was recently amended on December 11, 2023 and became effective on January 20, 2024, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of the provincial, autonomous regions or municipal governments are responsible for the administration of patents within their respective administrative areas. They provide for three types of patents, namely "inventions," "utility models" and "designs". Invention patents are valid for twenty years, utility model patents are valid for ten years and design patents are valid for fifteen years, in each case from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Trademark

According to the *Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, which was recently amended on April 23, 2019 and became effective on November 1, 2019, the Trademark Office of the State Administration for Industry and Commerce Authority (the predecessor of the SAMR), under the State Council is responsible for the registration and administration of trademarks in China. The SAMR has established a Trademark Review and Adjudication Board for resolving trademark disputes. Registered trademarks are valid for 10 years from the date the registration is approved. A registrant may apply to renew a registration within 12 months before the registration expiration date. If the registrant fails to apply in a timely manner, a grace period of 6 additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for 10 years. On April 29, 2014, the State Council issued the revised Implementing Regulations of the *Trademark Law of the PRC* (《中華人民共和國商標法實施條例》), which specifies the requirements for the application of trademark registration and renewal.

Copyright

On September 7, 1990, the SCNPC promulgated the *Copyright Law of the PRC* (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was recently amended on November 11, 2020. The latest amendment took effect on June 1, 2021 and extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Centre of China. According to the Copyright Law, Chinese citizens, legal persons and organizations shall own copyright to their copyrightable works, regardless of whether such works are published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including the right of publication, right of authorship and right of reproduction. An infringer of copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of the copyright owner. An infringer of copyrights may also be subject to fines and/or administrative or criminal liabilities under certain circumstances.

In order to further implement the *Regulations on Computer Software Protection* (《計算機軟件保護條例》), promulgated by the State Council on June 4, 1991, which was recently amended on January 30, 2013 and became effective on March 1, 2013, the *National Copyright Administration issued the Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》) on February 20, 2002, which specifies detailed procedures and requirements with respect to the registration of software copyrights.

Domain names

According to the *Administrative Measures for Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and which became effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of "first come, first served" applies to domain name registration services. The *Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services* (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATIONS RELATING TO THE EIT AND VALUE-ADDED TAX

According to the EIT Law recently amended by the SCNPC and became effective on December 29, 2018, and the *Implementation Rules of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) recently amended by the State Council on December 6, 2024, an enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of the foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an enterprise income tax of 25% of any income generated within or outside the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

Pursuant to the *Provisional Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) (the "**VAT Regulations**") promulgated by the State Council on December 13, 1993, latest amended and became effective on November 19, 2017, and the *Implementing Rules for the Provisional Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993, latest amended on October 28, 2011 and became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay the VAT. Any adjustments to the VAT tax rates shall be decided by the State Council, according to the *Notice of the MOF and the SAT on the Relevant Policies on the Streamlining and Combination of Value-added Tax Rates* (《財政部、國家稅務總局關於簡併增值稅稅率有關政策的通知》), the *Notice of the MOF and the SAT on the Adjusting Value added Tax Rates* (《財政部、稅務總局關於調整增值稅稅率的通知》) and the *Announcement of the MOF, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (《財政部、稅務

總局、海關總署關於深化增值稅改革有關政策的公告》), the VAT tax rates currently implemented is 13%, 9%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. On December 25, 2024, the SCNPC promulgated the *Value-Added Tax Law of the PRC* (《中華人民共和國增值稅法》), which will become effective on January 1, 2026, upon which VAT Regulations shall be repealed.

REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulation

The Securities Law, which was promulgated by the SCNPC on December 29, 1998, and was recently amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulates activities in the mainland China securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing its securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Measures and circulated five supporting guidelines ((《備案規則》) collectively, the "**Filing Rules**"), which have become effective on March 31, 2023. The Filing Rules have comprehensively improved and reformed the regulatory regime for overseas offering and listing of the PRC domestic companies' securities to regulate both direct and indirect overseas offering and listing of the PRC domestic companies' securities by adopting a filing-based regulatory regime. The Filing Rules apply to all overseas equity financing and listing activities of PRC domestic companies, including initial and follow-on offerings of shares, depository receipts, convertible corporate bonds, or other equity instruments and trading of securities in overseas market.

The Filing Rules provide that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Filing Rules stipulates that after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report to the CSRC within 3 working days after the occurrence and public disclosure of (i) a change of control thereof; (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities; (iii) changes of listing status or transfers of listing segment; and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the *Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises* (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which has become effective on March 31, 2023. Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises, where a domestic enterprise provides or publicly discloses any document or material that involves state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of mainland China by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of mainland China. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

OTHER REGULATIONS

Information disclosure

A listed company shall establish a sound information management system in accordance with the regulatory requirements of the securities authorities, market practice, its specific circumstances, and the general information disclosure requirements for listed companies, such as the *Administrative Measures for the Disclosure of Information of Listed Companies* (《上市公司信息披露管理辦法》) promulgated by CSRC on January 30, 2007, which was amended on March 18, 2021 and became effective on May 1, 2021.

The Administrative Measures for the Disclosure of Information of Listed Companies by Listed Companies (2025 Revision) (《上市公司信息披露管理辦法(2025修訂)》) promulgated by the CSRC on March 26, 2025 will come into effect on July 1, 2025, and the Administrative Measures for the Disclosure of Information of Listed Companies issued on March 18, 2021 will be abolished simultaneously.

II. LAW AND REGULATIONS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS IN THE UNITED STATES

We engage in research and development, trading business through our wholly owned subsidiaries, Cambridge Industries USA Inc. and Actiontec Electronics, Inc., both of which were incorporated in Delaware, the United States, and generated the substantial majority of our revenue during the Track Record Period. The following is a summary of certain U.S. federal and state laws and regulations that are material to our operations. This summary does not purport to be complete or describe applicable U.S. federal, state, or local laws in their entirety. The summary highlights material laws, rules, and regulations to illustrate the legal issues that arise in the conduct of our business, but does not explain every single law, interpretation or application. In many cases, the outcome of a legal matter will be highly fact-specific.

Federal Communications Commission

The Federal Communications Commission ("**FCC**") is responsible for the regulation of the sale and marketing of certain radio frequency ("**RF**") device, proposed to be sold by manufacturers or importers of the devices, to businesses and individuals located in the U.S.

The law and rules the FCC administers serve to establish technical regulations for transmitters and other equipment in order to minimize the potential for such equipment to cause interference to other users, in the same or different telecommunications services. In turn, the FCC undertakes an equipment authorization program to ensure that covered equipment that is marketed and then sold in the U.S. first comply with the technical requirements that have been established. As a consequence, the FCC authorizes the marketing and sale of such devices as mobile telephones, garage door openers, wireless home security systems, microwave ovens, and certain children's toys. In addition to preventing devices from interfering with each other, the FCC's rules are intended to protect the public, whether or not users of the devices, from harmful exposure to RF energy emitted by the regulated devices.

The FCC has determined that RF devices that are subject to its equipment authorization rules are such devices that are capable of emitting RF energy by radiation, conduction, or other means. The FCC has divided RF devices into separate categories based on the potential for RF interference that they might cause. These devices are deemed to be unintentional radiators, incidental radiators, or intentional radiators. Devices that intentionally generate and emit RF energy constitute the class of "intentional radiators." This category includes smartphones, baby monitors, private radios, and microwave ovens.

The FCC has established different procedures for manufacturers to receive equipment authorizations, depending on the level of the device's RF emissions. These equipment authorization procedures are known as declaration of conformity and certification. Under the FCC's rules, our devices, such low-power transmitters, transceivers and broadband equipment, have been classified as intentional radiators and, thereby, subject to the certification procedure. The certification process involves a review for compliance with the FCC rules by a private testing entity authorized to undertake such process by the FCC. Upon a finding of compliance, the testing body will issue the appropriate equipment authorization. An authorization number can be found on the FCC's Office of Engineering and Technology (OET) equipment authorization database. The FCC OET maintains such database which is online and open to the public.

Once having secured the required equipment authorization, we are then permitted to market and sell our RF devices. These authorized devices also must comply with specific labelling requirements which evidence the authorization and enable the ability of a user to secure information about the device or communicate about it with the FCC. So long as our devices remain compliant with the testing information that was considered, we can continue to market and sell our devices without further action of the FCC.

Over time, we have undertaken the certification process to secure a number of equipment authorizations for our RF devices. We continue to do so on a regular basis and are familiar with the requirements for enabling us to market and sell our FCC regulated devices in the U.S.

Foreign entities that manufacture or distribute telecommunications devices with wireless features must now give due consideration to the potential impact on them of the FCC's focus on national security enforcement, which could detrimentally affect their ability to engage in their current lines of business.

The FCC has, over the years, expanded its rules, regulations and enforcement focus dealing with foreign companies that provide equipment to telecommunications providers and consumers that provide wireless features that implicate the FCC's focus on the national security impacts of those devices. The FCC's programs seek to mitigate the risk that foreign governments that control the equipment providers can use the wireless features to obtain sensitive information, enabling the governments to use such information for goals that are adverse to the best interests of this nation.

The FCC has prohibited entities on what it calls its Covered List, a listing of foreign entities that pose national security concerns, and their affiliates from obtaining new authorizations to sell equipment in the US. It is currently considering expanding the rules to allow for the prohibition of the sale of any equipment from entities on the Covered List, including equipment that has previously received FCC equipment authorizations.

The Chairman of the FCC has recently established a Council on National Security within the agency. The purposes of the Council are to reduce American supply chain dependence on foreign adversaries, to mitigate American vulnerability of cyberattacks, espionage and surveillance by foreign adversaries, and to ensure that the United States wins the strategic competition with foreign adversaries over critical technologies, such as 5G and 6G, satellites, quantum computing and others.

All of these actions, when taken as a whole, could result in a telecommunications equipment marketplace where there are limitations on the sale of equipment from ventures established in a country deemed national security threats to the U.S., that lead to limits on products now available.

Food and Drug Administration

The Food and Drug Administration ("**FDA**"), regulates electronics products that emit radiation. Manufacturers of electronic products are required to comply with the general requirements under the Federal Regulations 21 CFR 1000 through 1005 ("**CFR 21**"). Furthermore, manufacturers of electronics are required to notify FDA of any defects in an electronic product. The repair, replacement or refund for defective electronics are regulated by CFR 21 as well. Manufacturers or importers engage FDA authorized third party testing labs to certify their electronic products that require FDA certification. Additionally, manufacturers of electronic products are required to submit an Annual Report to FDA's Center for Devices and Radiological Health by September 1.

Overview of intellectual property laws

U.S. intellectual property laws include copyright, trademark, trade secrets, patent, and domain name-related laws. Copyright law is governed by the Copyright Act of 1976, which is codified in Title 17 of the U.S. Code. The U.S. Copyright Office, a department within the U.S. Library of Congress, examines copyright applications and grants registrations. Federal law, however, provides for common law rights for copyrights and trademarks as well. Both federal and state law apply to trademarks. Federal trademark law is governed by the Lanham Act, which is codified in Title 15 of the U.S. Code. The U.S. Patent and Trademark Office ("USPTO"), an agency within the U.S. Department of Commerce, issues federal trademark registration to providers of goods and/or services. Federal trade secrets law is governed by the Defend Trade Secrets Act of 2016, which is codified in Title 18 of the U.S. Code. Trade secrets are also protected by state law, with most states having enacted a version of the Uniform Trade Secrets Act. Patent law is governed by Title 35 of the U.S. Code. The USPTO also issues patents to inventors. Title 37 of the Code of Federal Regulations contains regulations directed towards copyrights, trademarks and patents. Finally, the Anti-cybersquatting Consumer Protection Act, 15 U.S.C. §1125(d), is a U.S. law establishing a cause of action for registering, trafficking in or using a domain name confusingly similar to, or dilutive of, a trademark or personal name.

OVERVIEW

Our history can be traced back to 2005, when our founder, Mr. Gerald G Wong, with his colleagues together founded and bootstrapped our telecommunication broadband access business in Silicon Valley in the United States as a startup, and later registered CIG Cayman as a company wholly owned by Mr. Gerald G Wong in the Cayman Islands on May 19, 2005. Details of the background of Mr. Gerald G Wong are set out in "Directors, Supervisors and Senior Management". Through our globalization layout, we successively set up Cambridge Industries Group Limited in Hong Kong on May 28, 2005, Xinqiao Network Equipment (Shanghai) Co., Ltd.* (新嶠網絡設備(上海)有限公司) (the predecessor of our Company) in Shanghai on March 14, 2006, and Cambridge Industries USA Inc. in the United States on April 26, 2010 to carry out our global operations. In preparation for the Listing of A Shares, CIG Cayman became an investment holding company at the end of 2011 in the process of reorganization.

In June 2011, our Company was renamed as CIG Shanghai Company Limited* (上海劍橋科技有限公司). We were then converted into a joint stock limited company in July 2012. On November 10, 2017, we successfully completed the Listing of A Shares and our A Shares have been listed on the Shanghai Stock Exchange (stock code: 603083) since then. As of the Latest Practicable Date, our Single Largest Group of Shareholders held in aggregate approximately 16.42% of our A Shares.

With a vision "to support the development of AI with our solutions", we have become an industry-leading company that provides critical infrastructure components for the development of AI through two decades of operations. As of the Latest Practicable Date, our Company had sixteen subsidiaries covering the jurisdictions of the PRC (including Hong Kong and Taiwan), the United States, Japan, Germany and Malaysia. Details of our global presence are set out in "Business".

KEY MILESTONES

The following is a summary of our key corporate and business development milestones:

Year	Event
2005	Our founder, Mr. Gerald G Wong, with his colleagues together founded and bootstrapped our telecommunication broadband access business in Silicon Valley in the United States as a startup, and later registered CIG Cayman as a company wholly owned by Mr. Gerald G Wong in the Cayman Islands
2006	Xinqiao Network Equipment (Shanghai) Co., Ltd.* (新嶠網絡設備(上海)有限公司), the predecessor of our Company was established in Shanghai

Year	Event
2011	We began establishing our presence in automation and informatization by implementing industrial information systems, which includes workshop management systems and production traceability systems
2017	We successfully completed the Listing of A Shares and our A Shares were listed on the Shanghai Stock Exchange (stock code: 603083)
2018	We expanded into the photonics industry and successfully completed the acquisition of LR4 100G long-range optical subassembly product line from MACOM Japan Limited, a subsidiary of MACOM Technology Solution Holdings, Inc.; We advanced our global manufacturing strategy by establishing a production base in Malaysia
2019	We fully entered the photonics industry by acquiring the Datacom transceiver product line of Oclaro Japan, which was under Lumentum
2020	We successfully completed the Non-public Issuance of A Shares
2022	We successfully completed the acquisition of Actiontec Electronics, Inc. and Actiontec Electronics (Shanghai), Inc.* (邁智微電子(上海)有限公司), which had become our wholly-owned subsidiaries upon completion
2024	We have completed the new product introduction ("NPI") for our manufacturing facility in Europe
2025	We have completed the NPI for our manufacturing facility in the United States

MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following entities were our major subsidiaries which had made a material contribution to our results of operation during the Track Record Period:

Name of subsidiary	Date and jurisdiction of establishment	Equity interest attributable to our Group	Principal business activities
Cambridge Industries USA Inc.	April 26, 2010 United States	100%	R&D, trading
CIG Shanghai Communication Equipment Co., Ltd.* (上海劍橋通訊設備有限公司)	August 9, 2013 PRC	100%	Trading
Cambridge Industries Group Telecommunication Limited	April 9, 2018 Hong Kong, PRC	100%	Trading
CIG Wuhan Co., Ltd.* (上海劍橋科技(武漢)有限公司)	April 23, 2018 PRC	100%	Manufacturing
CIG Photonics Japan Limited	March 11, 2019 Japan	100%	R&D
Actiontec Electronics, Inc.	October 5, 2020 United States	100%	R&D, trading
CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)	July 18, 2023 PRC	66.67%	Manufacturing

As of the Latest Practicable Date, our Company had sixteen subsidiaries. Except for CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司), in which we held 66.67% equity interest, all of the other subsidiaries were wholly owned by our Company. Please refer to the section headed "Statutory and General Information — Further Information about Our Group — Changes in Share Capital of Our Subsidiaries" in Appendix VI to this Document for more details on recent share capital changes of the subsidiaries.

MAJOR SHAREHOLDING CHANGES IN OUR COMPANY

Early Development

In 2005, our founder, Mr. Gerald G Wong, with his colleagues together founded and bootstrapped our telecommunication broadband access business in Silicon Valley in the United States as a startup, and later registered CIG Cayman as a company wholly owned by Mr. Gerald G Wong in the Cayman Islands on May 19, 2005. On March 14, 2006, the predecessor of our Company, Xinqiao Network Equipment (Shanghai) Co., Ltd.* (新嶠網絡設備(上海)有限公司), was established in Shanghai by the then sole Shareholder, CIG Cayman, as a wholly foreign-owned enterprise with registered share capital of USD140,000 to primarily design, produce and develop computer software and equipment and provide technical and consulting services. In June 2011, our Company was renamed as CIG Shanghai Company Limited* (上海劍橋科技有限公司).

In order to establish a long-term mechanism for management team and key employees ownership, and as a part of reorganization, CIG Cayman resolved and agreed to sell approximately 57.29% of the equity interest in our Company in total to five employee shareholding platforms, namely (i) CIG Holding, (ii) Shanghai Kangling Technology Partnership (Limited Partnership)* (上海康令科技合夥企業(有限合夥)), (iii) Shanghai Kangyiqiao Investment Consulting Partnership (Limited Partnership)* (上海康宜橋投資諮詢合夥企業(有限合夥)) ("**Kangyiqiao**"), (iv) Shanghai Kanguiqiao Investment Consulting Partnership (Limited Partnership)* (上海康桂橋投資諮詢合夥企業(有限合夥)) ("**Kangguiqiao**"), and (v) Changxing Kangwuqiao Enterprise Management Consulting Partnership (Limited Partnership)* (長興康梧橋企業管理諮詢合夥企業(有限合夥) ("**Kangwuqiao**"), and the above five employee shareholding platforms agreed to purchase the respective equity interest held by CIG Cayman in our Company. The shareholding structure of our Company immediately following completion of the share transfer in December 2011 was as follows:

Shareholders	Capital contribution	Shareholding percentage
	(USD in ten thousand)	
CIG Cayman[1]	5.98	42.71%
Kangyiqiao[2]	3.91	27.93%
Kangling Technology[3]	1.80	12.86%
CIG Holding[4]	1.40	10.00%
Kangguiqiao[5]	0.70	5.00%
Kangwuqiao[6]	0.21	1.50%
Total	**14.00**	**100%**

Notes:

(1) CIG Cayman was incorporated in May 2005 in the Cayman Islands and has been wholly owned by Mr. Gerald G Wong since its establishment.

(2) As one of our employee shareholding platforms, Kangyiqiao is a limited partnership established in October 2011 in the PRC by our several then domestic employees. Kangyiqiao no longer held any Shares in our Company since February 21, 2025. As of the Latest Practicable Date, to the best knowledge of our Company, the partners of Kangyiqiao was considering to dissolve it by resolution.

(3) As one of our employee shareholding platforms, Kangling Technology is a limited liability company incorporated in October 2011 in the PRC by Mr. Zhao Haibo as its sole shareholder. Kangling Technology changed its form to a partnership and was later renamed as Shanghai Kangling Technology Partnership (Limited Partnership)* (上海康令科技合夥企業(有限合夥)) in 2022. Please refer to the section headed "Relationship with Our Single Largest Group of Shareholders" in this Document for details of Kangling Technology.

(4) As one of our employee shareholding platforms, CIG Holding is an investment holding company incorporated in June 2011 in Hong Kong by Mr. Gerald G Wong. CIG Holding no longer held any Shares in our Company since August 14, 2023.

(5) As one of our employee shareholding platforms, Kangguiqiao is a limited partnership established in October 2011 in the PRC by our several then domestic employees. Kangguiqiao was dissolved by its then partners in November 2023.

(6) As one of our employee shareholding platforms, Kangwuqiao is a limited partnership established in October 2011 in the PRC by our several then domestic employees. Kangwuqiao was dissolved by its then partners in March 2019.

Capital Injection and Conversion into Joint Stock Limited Company in 2012

In February 2012, our Company introduced ten external institutional investors by way of capital injection, namely (i) Ningbo Anfenghezhong Venture Capital Investment Partnership (Limited Partnership)* (寧波安豐和眾創業投資合夥企業(有限合夥)) ("**Anfenghezhong**"), (ii) Jiangsu Gaotou Growth Value Equity Investment Partnership (Limited Partnership)* (江蘇高投成長價值股權投資合夥企業(有限合夥)) ("**Jiangsu Gaotou**"), (iii) Shanghai Jinmu Investment Management Center (Limited Partnership)* (上海金目投資管理中心(有限合夥)) ("**Shanghai Jinmu**"), (iv) Shanghai Jianxin Venture Capital Investment Company Limited* (上海建信創業投資有限公司 ("**Shanghai Jianxin**", dissolved in 2020), (v) Shanghai Shengyan Investment Partnership (Limited Partnership)* (上海盛彥投資合夥企業(有限合夥)) ("**Shanghai Shengyan**", previously known as Tianjin Shengyan Equity Fund Investment Partnership (Limited Partnership)* (天津盛彥股權投資基金合夥企業(有限合夥)), "**Tianjin Shengyan**"), (vi) Shanghai Zhongying Equity Investment Management Center (Limited Partnership)* (上海仲贏股權投資管理中心(有限合夥)) ("**Shanghai Zhongying**"), (vii) Shanghai Shengwan Investment Company Limited* (上海盛萬投資有限公司) ("**Shanghai Shengwan**"), (viii) Shanghai Shengwanyanrun Investment Partnership (Limited Partnership)* (上海盛萬彥潤投資合夥企業(有限合夥)) ("**Shanghai Shengwanyanrun**", previously known as Tianjin Shengwan Investment Partnership (Limited Partnership)* (天津盛萬投資合夥企業(有限合夥)), "**Tianjin Shengwan**"), (ix) Ningbo Anfenglingxian Venture Capital Investment Partnership (Limited Partnership)* (寧波安豐領先創業投資合夥企業(有限合夥)) ("**Anfenglingxian**"), and (x) Yantai Jianxin Blue Economy Venture Capital Company Limited* (煙台建信藍色經濟創業投資有限公司) ("**Yantai Jianxin**") (collectively the "**2012 Investors**"). Upon completion of the aforesaid capital injection, the registered share capital of our Company increased to RMB1,658,657.

In June 2012, the sixteen then Shareholders of our Company, as the promoters, resolved to convert our Company into a joint stock limited company. In July 2012, our Company was converted into a joint stock limited company with registered share capital of RMB75,000,000 divided into 75,000,000 Shares after share capital subdivision. The shareholding structure of our Company immediately following our conversion into a joint stock company was as follows:

Shareholders/Promoters	Number of Shares	Shareholding percentage
CIG Cayman	21,682,575	28.91%
Kangyiqiao	14,179,200	18.91%
Kangling Technology	6,528,600	8.70%
Anfenghezhong	5,789,850	7.72%
Jiangsu Gaotou	5,078,775	6.77%
CIG Holding	5,076,675	6.77%
Shanghai Jinmu	2,742,600	3.66%
Shanghai Jianxin	2,640,975	3.52%
Tianjin Shengyan	2,574,000	3.43%
Kangguiqiao	2,538,375	3.38%
Shanghai Zhongying	2,133,150	2.84%
Shanghai Shengwan	1,015,725	1.35%
Tianjin Shengwan	1,015,725	1.35%
Anfenglingxian	812,625	1.08%
Kangwuqiao	761,475	1.02%
Yantai Jianxin	429,675	0.57%
Total	**75,000,000**	**100%**

Capital Reduction by Repurchase and Share Transfer in 2015

In August 2014, our Company entered into a share purchase agreement with the 2012 Investors to repurchase a total of 9,500,000 Shares at a total consideration of RMB152,817,058. In September 2014, Shanghai Zhongying entered into a share transfer agreement to transfer all its Shares (being 1,296,917 Shares) to Jiangsu Gaotou Bangsheng Venture Capital Investment Partners (Limited Partnership)* (江蘇高投邦盛創業投資合夥企業(有限合夥)) ("**Jiangsu Bangsheng**") at a consideration of RMB10,793,785.

Immediately following the completion of the aforementioned capital reduction and share transfer in May 2015, the shareholding structure of our Company was as follows:

Shareholders	Number of Shares	Shareholding percentage
CIG Cayman	21,682,575	33.10%
Kangyiqiao	14,179,200	21.65%
Kangling Technology	6,528,600	9.97%
CIG Holding	5,076,675	7.75%
Anfenghezhong	3,520,076	5.37%
Anfenglingxian	494,060	0.75%
Jiangsu Gaotou	3,087,745	4.71%
Kangguiqiao	2,538,375	3.88%
Shanghai Jianxin	1,866,874	2.85%
Shanghai Jinmu	1,667,444	2.55%
Shanghai Shengyan	1,564,946	2.39%
Jiangsu Bangsheng	1,296,917	1.98%
Shanghai Shengwan	617,519	0.94%
Shanghai Shengwanyanrun	617,519	0.94%
Kangwuqiao	761,475	1.16%
Total	**65,500,000**	**100%**

Capital Injection in 2016

In March 2016, the registered share capital of our Company increased to RMB73,403,666 by introduction of six external institutional investors, including (i) Shanghai Diankechengding Intelligent Industry Investment Partnership (Limited Partnership)* (上海電科誠鼎智能產業投資合夥企業(有限合夥)) ("**Diankechengding**"), (ii) Hangzhou Anfengchenyuan Venture Capital Investment Partnership (Limited Partnership)* (杭州安豐宸元創業投資合夥企業(有限合夥)) ("**Anfengchenyuan**"), (iii) Nanjing Bangshengjuhong Equity Investment Partnership (Limited Partnership)* (南京邦盛聚泓股權投資合夥企業(有限合夥)) ("**Bangshengjuhong**"), (iv) Jiangsu Talent Innovation and Venture Capital Investment Fund II (Limited Partnership)* (江蘇人才創新創業投資二期基金(有限合夥)) ("**Talent Fund**"), (v) Shanghai Baodingaiping Investment Partnership (Limited Partnership)* (上海寶鼎愛平投資合夥企業(有限合夥)) ("**Baodingaiping**") and (vi) Shengye (Shanghai) Asset Management Center (Limited Partnership)* (盛曳(上海)資產管理中心(有限合夥)) ("**Shengye Asset**"). Upon completion of the capital injection in March 2016, the shareholding structure of our Company was as follows:

Shareholders	Number of Shares	Shareholding percentage
CIG Cayman	21,682,575	29.54%
Kangyiqiao	14,179,200	19.32%
Kangling Technology	6,528,600	8.89%
Anfenghezhong	3,520,076	4.80%
Anfengchenyuan	1,965,000	2.68%
Anfenglingxian	494,060	0.67%
CIG Holding	5,076,675	6.92%
Jiangsu Gaotou	3,087,745	4.21%
Talent Fund	873,333	1.19%
Bangshengjuhong	1,572,000	2.14%
Jiangsu Bangsheng	1,296,917	1.77%
Kangguiqiao	2,538,375	3.46%
Diankechengding	2,183,333	2.97%
Shanghai Jianxin	1,866,874	2.54%
Shanghai Shengwan	617,519	0.84%
Shanghai Shengwanyanrun	617,519	0.84%
Shengye Asset	436,667	0.59%
Shanghai Jinmu	1,667,444	2.27%
Shanghai Shengyan	1,564,946	2.13%
Baodingaiping	873,333	1.19%
Kangwuqiao	761,475	1.04%
Total	**73,403,666**	**100%**

Concert Party Agreement in 2017

In the course of the preparation of the Listing of A Shares, to ensure the ownership stability after the Listing of A Shares, Mr. Gerald G Wong and Mr. Zhao Haibo entered into the Concert Party Agreement 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. Immediately following the execution of the Concert Party Agreement, Mr. Gerald G Wong (through CIG Cayman and CIG Holding) and Mr. Zhao Haibo (through Kangling Technology) controlled in aggregate approximately 45.35% equity interests in our Company.

Listing of A Shares in 2017

On November 10, 2017, our A Shares were listed on the Shanghai Stock Exchange (stock code: 603083), pursuant to which we issued an aggregate of 24,467,889 A Shares, accounting for approximately 25.00% of our Company's share capital immediately following the Listing of A Shares. Upon completion of the Listing of A Shares, the registered share capital of our Company amounted to RMB97,871,555 and comprised 97,871,555 A Shares. The shareholding structure of our Company immediately following the Listing of A Shares was as follows:

Shareholders	Number of Shares	Shareholding percentage
CIG Cayman	21,682,575	22.15%
CIG Holding	5,076,675	5.19%
Kangling Technology	6,528,600	6.67%
Kangyiqiao	14,179,200	14.49%
Kangguiqiao	2,538,375	2.59%
Kangwuqiao	761,475	0.78%
Other A Shareholders(1)	47,104,655	48.13%
Total	**97,871,555**	**100%**

Note:

(1) Other A Shareholders' shareholdings were relatively diversified, among which, no Shareholder held 5% or more of the A Shares.

Immediately following the Listing of A Shares, Mr. Gerald G Wong (through CIG Cayman and CIG Holding) and Mr. Zhao Haibo (through Kangling Technology) controlled in aggregate approximately 34.01% equity interests in our Company.

Capital Reserve Capitalization in 2018

In October 2018, our Company completed the issuance of 29,361,467 A Shares to our then Shareholders by capitalizing the capital reserve of our Company for the purpose of dividend distribution on the basis of three additional A Shares for every ten existing A Shares. Upon completion of the capital reserve capitalization, the registered share capital of our Company amounted to RMB127,233,022 and comprised 127,233,022 A Shares.

Capital Reserve Capitalization in 2019

In September 2019, our Company completed the issuance of 38,634,007 A Shares to our then Shareholders by capitalizing the capital reserve of our Company for the purpose of dividend distribution on the basis of three additional A Shares for every ten existing A Shares. Upon completion of the capital reserve capitalization, the registered share capital of our Company amounted to RMB167,414,029 and comprised 167,414,029 A Shares.

Non-public Issuance of A Shares in 2020

On April 21, 2020, we completed the Non-public Issuance of A Shares, pursuant to which, we issued 24,224,806 new A Shares at an issue price of RMB30.96 per A Share to thirteen subscribers, all of whom were Independent Third Parties. Upon completion of the Non-public Issuance of A Shares, the registered share capital of our Company amounted to RMB193,673,746 and comprised 193,673,746 A Shares. The shareholding structure of our Company immediately following the Non-public Issuance of A Shares was as follows:

Shareholders	Number of Shares	Shareholding percentage
CIG Cayman	36,643,552	18.92%
Kangyiqiao	22,343,540	11.54%
Kangling Technology	11,033,334	5.70%
CIG Holding	8,579,580	4.43%
Other A Shareholder[1]	115,073,740	59.42%
Total	**193,673,746**	**100%**

Note:

(1) Other A Shareholders' shareholdings were relatively diversified, among which, no Shareholder held 5% or more of the A Shares.

Capital Reserve Capitalization in 2020

In November 2020, our Company completed the issuance of 58,204,746 A Shares to our then Shareholders by capitalizing the capital reserve of our Company for the purpose of dividend distribution on the basis of three additional A Shares for every ten existing A Shares. Upon completion of the capital reserve capitalization, the registered share capital of our Company amounted to RMB252,220,566 and comprised 252,220,566 A Shares.

Please refer to the section headed "Statutory and General Information — Further Information about Our Group — Changes in Share Capital of Our Company" in Appendix VI to this Document for more details on recent share capital changes of our Company.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had not carried out any major acquisitions as required to be disclosed under Rule 4.05A of the Listing Rules, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

OUR LISTING OF A SHARES ON THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE [REDACTED] OF H SHARES ON THE HONG KONG STOCK EXCHANGE

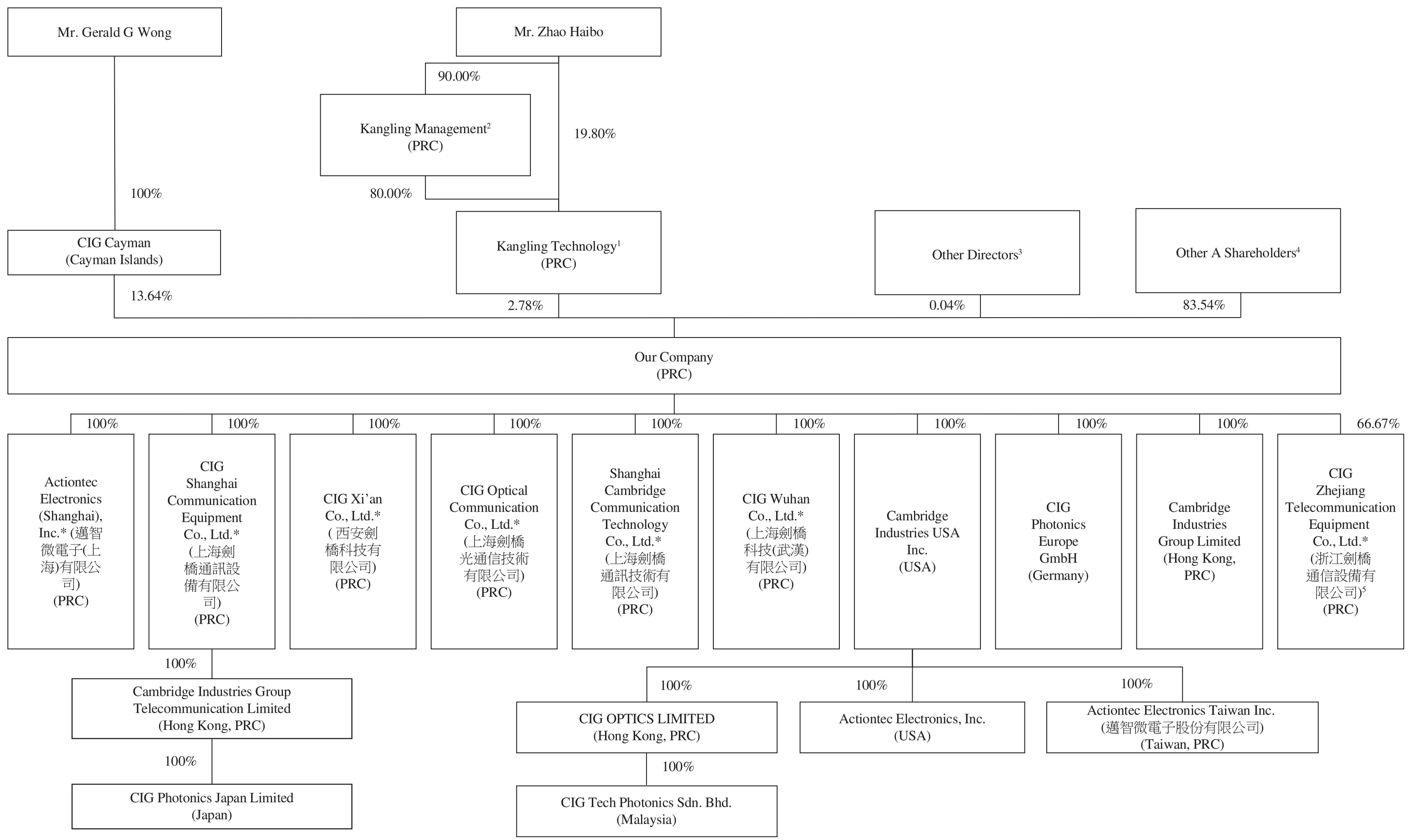
Since November 10, 2017, our A Shares have been listed on the Shanghai Stock Exchange. Our Directors confirmed that, as of the Latest Practicable Date, we had no instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors' attention in relation to our compliance record on the Shanghai Stock Exchange. Our PRC Legal Adviser advised us that during the Track Record Period and up to the Latest Practical Date, we have not been subject to any substantial administrative penalties or regulatory measures imposed by PRC securities regulatory authorities and we have complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause it to cast doubt on our Directors' confirmation with regard to the compliance record of our Company on the Shanghai Stock Exchange in any material respect.

Our Company seeks to be [**REDACTED**] on the Hong Kong Stock Exchange in order to (i) continue attracting top global talent, (ii) increase our R&D investment, (iii) optimize our global production capacity layout and continue to invest in intelligent manufacturing, and (iv) further expand our globally localized sales network. Please refer to the sections headed "Business — Our Future Strategies" and "Future Plans and Use of [**REDACTED**]" in this Document for details.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately before the [REDACTED]

The following chart depicts a simplified shareholding and beneficial ownership structure of our Group immediately prior to the completion of the [**REDACTED**] (assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]):



Notes:

(1) Kangling Technology is a limited partnership whose executive partner is Mr. Zhao Haibo (holding 19.80% partnership interest in it) and its limited partners consist of Ms. Qin Yan (Mr. Zhao Haibo's spouse, holding 0.20% partnership interest in it) and Kangling Management (holding 80.00% partnership interest in it) as of the Latest Practicable Date.

(2) Kangling Management is a limited partnership whose executive partner is Mr. Zhao Haibo (holding 90.00% partnership interest in it) and its limited partner is Ms. Qin Yan (Mr. Zhao Haibo's spouse, holding 10.00% partnership interest in it) as of the Latest Practicable Date.

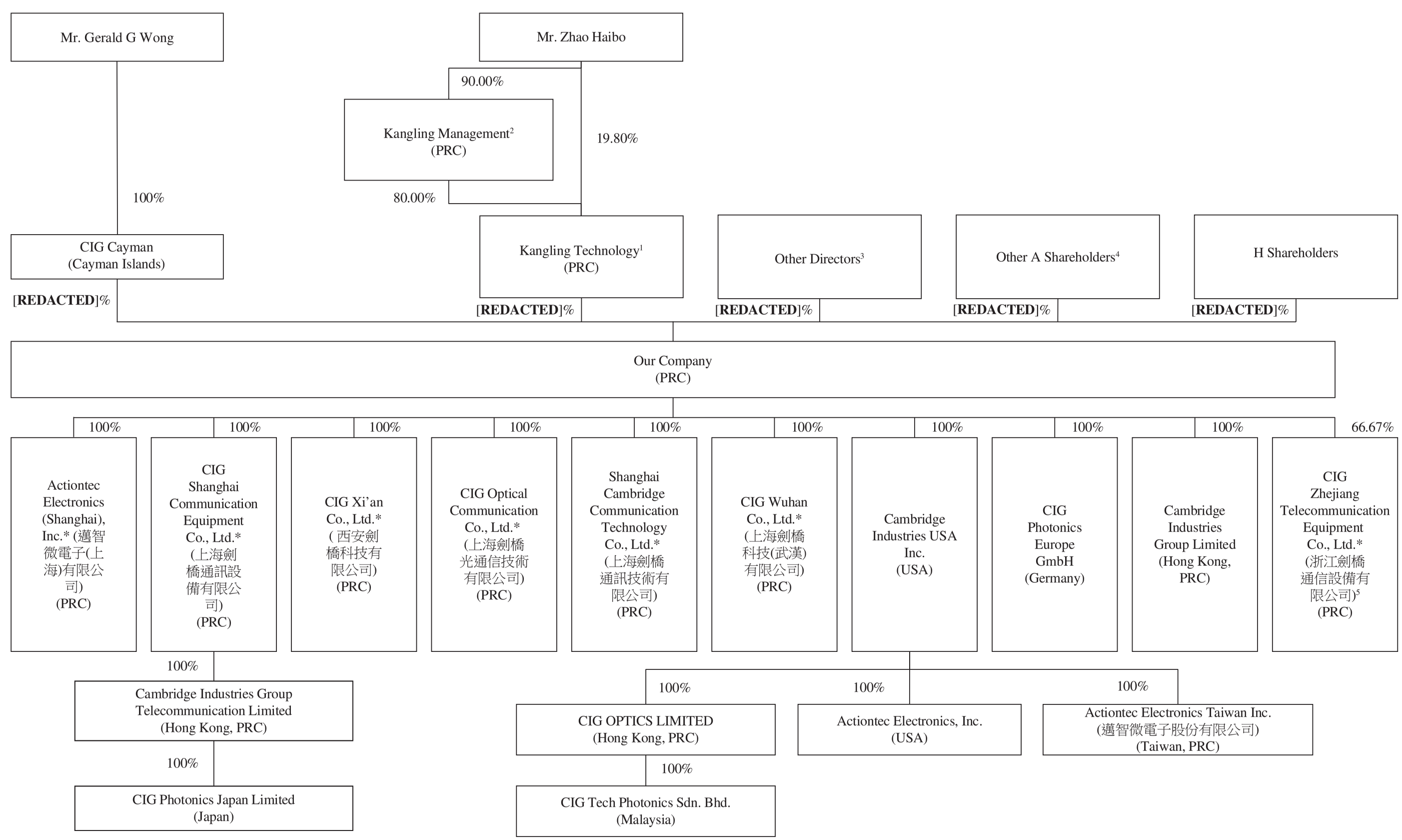
(3) As of the Latest Practicable Date, (i) our executive Director, Mr. Zhang Jie held 72,000 A Shares and his spouse Ms. Wang Meihua (王美華女士) held 3,700 A Shares, and (ii) our executive Director, Mr. Zhao Hongwei held 19,100 A Shares, representing an aggregate of 0.04% equity interests in our Company.

(4) Other A Shareholders' shareholdings were relatively diversified, among which, no Shareholder held 5% or more of the A Shares as of the Latest Practicable Date.

(5) CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司) is a company incorporated in the PRC on July 18, 2023. As of the Latest Practicable Date, our Company and Jiashan Zhongxin Industrial Development Investment Company Limited* (嘉善縣中新產業發展投資有限公司) held approximately 66.67% and 33.33% equity interest in it, respectively. Jiashan Finance Bureau* (嘉善縣財政局), through its wholly-owned subsidiary Jiashan Shancheng Industrial Company Limited* (嘉善縣善成實業有限公司), held 100% equity interest in Jiashan Zhongxin Industrial Development Investment Company Limited* (嘉善縣中新產業發展投資有限公司). Jiashan Zhongxin Industrial Development Investment Company Limited* (嘉善縣中新產業發展投資有限公司) is a substantial shareholder of CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司), our significant subsidiary, and accordingly is our connected person.

Shareholding and Corporate structure immediately following the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised, the options granted under the 2024 Share Option Incentive Scheme are not exercised and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]):



Notes (1) to (5): Please refer to the details contained in the preceding page.

OVERVIEW

We are an inherently global, and industry-leading, company that provides critical infrastructure components for the development of AI. According to F&S, we are one of the few global companies that are offering high-efficiency and instant connectivity solutions across photonics, broadband, and wireless technologies. We also ranked 5th in the global integrated optical and wireless connectivity devices ("**OWCD**") industry in 2024, in terms of sales revenue.

The following chart demonstrates our outstanding achievements:

Notes:

1. In the global OWCD industry.
2. For the year ended December 31, 2024.
3. As of December 31, 2024.
4. During the Track Record Period.

Our vision and mission

Our vision is to support the development of AI with our solutions, so that it may become universally accessible. In line with our mission, we are dedicated to (i) accelerating innovation and connecting people globally through end-to-end AI connectivity; and (ii) empowering our customers and partners worldwide with state-of-the-art solutions.

Our expertise and solutions

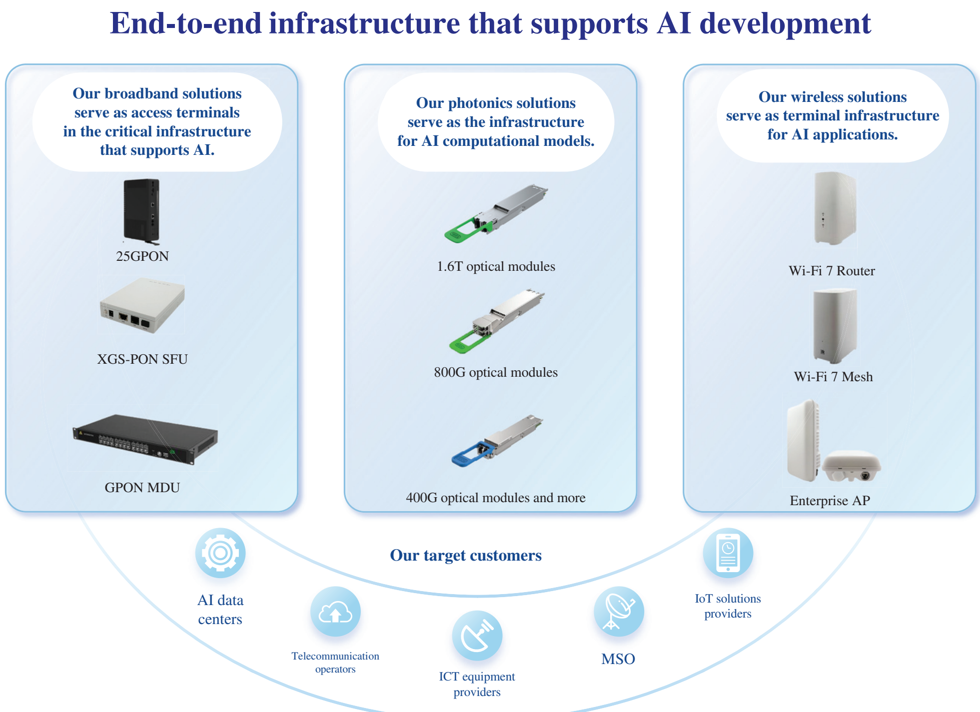
We strive to constantly advance our R&D and manufacturing expertise in order to stay at the forefront of the industry, and deliver cutting-edge solutions to our global customers. Such relentless focus has allowed us to position ourselves far beyond traditional contract manufacturing (which is often limited to executing predefined designs). Instead, our joint design manufacturing ("**JDM**") and original design manufacturing ("**ODM**") models have leveraged advanced capabilities in product innovation and development to deliver solutions that set us apart in the industry. Our JDM model, in particular, requires earning the trust of major customers, as it involves close collaboration and supervision throughout the process. This model entails a qualification process during which customers demand adherence to stringent standards, manufacturers must demonstrate exceptional capabilities, and both parties need to show that they have dedicated substantial resources and investments to ensure that their expertise and capabilities are up to expectations. This is exactly where we excel.

Achieving the level of trust and integration required for JDM is a rare feat, and even fewer can do so while meeting the stringent requirements of customers in the United States and Europe. During the Track Record Period, we had collaborated with several globally leading partners, with whom we had maintained stable relationships for over ten years. Moreover, our customer base as of December 31, 2024 comprised AI data centers, telecommunication operators, information and communication technology ("**ICT**") equipment providers, multiple system operators ("**MSO**"), and internet-of-things ("**IoT**") solutions providers, including those based in the United States and Europe. This level of trust underscores our design and manufacturing capabilities and commitment to innovation and excellence.

For more information regarding our JDM and ODM models, please refer to the subsection headed "— Our business model" in this section.

Our expertise spans a diverse range of solutions in photonics, broadband, and wireless technologies, which enable efficient and real-time connectivity necessary for the distribution and utilization of computational power and data within computing clusters, between computing clusters, and between computing clusters and users. These solutions are critical infrastructure components that supports the development of AI.

The following snapshot highlights our key solutions, emphasizing their adaptability and application potential:



- ***Photonics solutions:*** We have been providing our customers with photonics solutions that are capable of delivering efficient connectivity and seamless communication within and between computing clusters. Our photonics solutions, rooted in the legacy of Hitachi Labs, boast extensive R&D and advanced manufacturing experience, and have brought us multiple industry-leading accolades. According to F&S, we were among the first in the global OWCD industry to develop 800G and 1.6T photonics products. As of the Latest Practicable Date, our 800G optical module represented the most advanced mass-produced photonics products worldwide, and our 1.6T optical module is currently one of the leading research products in the industry. We were among the first in the industry to develop silicon photonics based module technology, which facilitates the creation of high transmission rate products that can perform high integration at low cost and low power consumption. This technology is considered essential for supporting the exponential growth of computational power. Additionally, we were among the first in the industry to have developed proprietary linear pluggable optics ("**LPO**") technology, leading the industry with low power consumption, low latency, reduced costs, and improved performance. We are currently in the process of developing our packaged laser and silicon photonics engine (i.e., ELS, external light source) for co-packaged optics ("**CPO**") technology, which can offer substantial cost reductions while delivering exceptional performance. Such technology can integrate the network and photonic engine into a single slot, drastically reducing the distance between the switch chip and the photonic engine. This proximity enables faster electrical signal transmission, making such technology ideal for AI training and applications. All the above technologies are considered crucial for the development of the world's critical infrastructure for AI computational models.

- ***Broadband solutions:*** We have been providing our customers with high-speed broadband solutions that are capable of delivering efficient data transmission of large volumes of data between computing clusters and users, thus acting as access terminals in world's the critical infrastructure that supports AI development. As of December 31, 2024, our XGS PON products (which represent the latest generation of mainstream 10GPON technology in the broadband field) occupied over 30% of the global 10GPON market, in terms of shipping volume. We were also among the first to achieve mass production of 25GPON worldwide and are among the pioneers developing 50GPON. As of the Latest Practicable Date, our 25GPON was the fastest mass-produced product globally, while our 50GPON was poised to become the next-generation mainstream product in the broadband field.

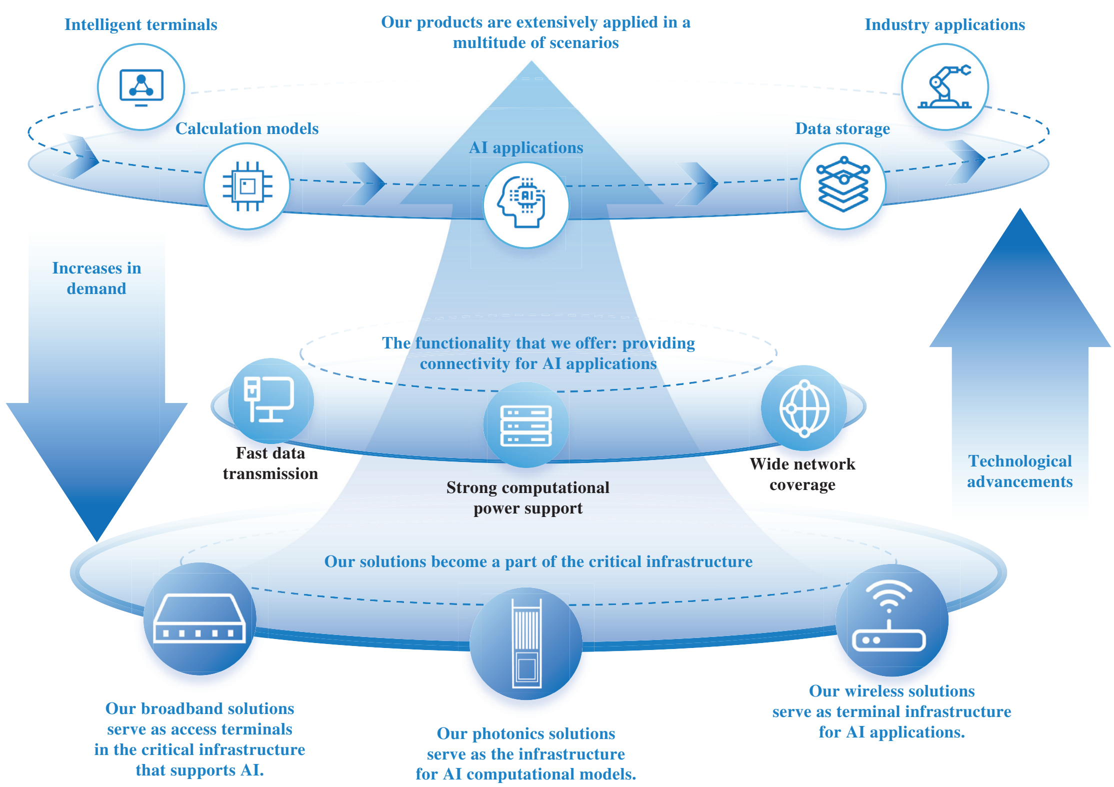
- ***Wireless solutions:*** We have been providing our customers with wireless solutions that are capable of delivering high bandwidth, fast transmission speeds, and low network latency between computing clusters and end users, thus serving as the world's terminal infrastructure for AI applications. According to F&S, we were among the first in the global OWCD industry to develop and mass-produce Wi-Fi 7 products. We have also introduced, in collaboration with Google Fiber, this industry's first 20G uplink Wi-Fi 7 gateway, which delivers network services exceeding 10Gb/s, enhances high-speed interconnectivity, and delivers broad coverage for home and small business owners. Currently, we are conducting R&D on Wi-Fi 8, the next-generation mainstream product in the Wi-Fi field.

For more information regarding these solutions, please refer to the subsection headed "— Our solutions" in this section.

Our market opportunities

According to F&S, the recent explosive growth of AI applications has created a significant challenge: to ensure that there is enough computational power and data transmission capacity to meet future needs. This issue has drawn serious attention across industries worldwide, with an increasing interest in connectivity solutions that ensure fast, low-latency, and high-capacity data transmission to support the future of AI development. We believe that we are poised to tackle this challenge, with our photonics, broadband, and wireless solutions that are capable of handling the smooth flow of large computational power, complex networks, and end-to-end connectivity.

The following diagram illustrates how our solutions empower a diverse array of applications in this era of AI development:



In essence, as a key part of the world's critical infrastructure, our solutions have been supporting the development of AI applications by providing fast data transmission, strong computational power support, and wide network coverage. These capabilities will become increasingly essential for the success of data centers, AI models, industry applications, and smart terminals as technology continues to develop, along with a surge in market demand for such capabilities.

To this end, we also believe that we are well-positioned to seize the following opportunities in this era of AI advancement:

- ***Massive AI infrastructure investments:*** It is estimated that there will be significant investments in infrastructure in the coming years. For instance, in 2025, the United States government launched the "Stargate Initiative" to expand the country's infrastructure that supports the development of AI, with a commitment to invest USD500 billion over the next four years. Additionally, F&S estimates that global tech giants are projected to invest over USD400 billion in AI infrastructure within the next three years. Similarly, the PRC has introduced a series of supportive policies, such as the "Guidance on the Construction of National Data Infrastructure", "Guideline for the Establishment of the National Comprehensive Standardization System for the AI Industry (2024 Version)" and "Implementation Opinions of Seven Ministries Including the MIIT on Promoting the Innovative Development of Future Industries". We believe we are well-positioned to seize this opportunity and deliver efficient, instant connectivity solutions for these large-scale infrastructure projects. We estimate that our solutions will play a crucial role in supporting the development and deployment of future AI technologies on a global scale, ensuring seamless integration and optimal performance across various applications and industries.

- ***Decentralization of computing networks driven by lightweight AI models:*** The decentralization of computing networks driven by lightweight AI models has significantly increased the accessibility of AI technology. This is largely due to the development of lightweight large models and open-source ecosystems. For instance, in China, the creation of a particular open-sourced AI has immediately spurred explosive AI growth. This advancement empowers small and medium-sized enterprises globally to develop their own AI models and establish local data centers, thereby diminishing their dependence on external resources. The democratization of AI technology enables even smaller companies to leverage its capabilities for innovation and operational enhancements. As a result, this has driven the demand for small and medium-sized data centers. According to F&S, the cumulative volume of global data center racks is projected reach 139.8 million units by 2029 with a CAGR of 32.8% from 2024. Additionally, the global market for photonics (optical transceivers/optical modules) is expected to grow from USD17.8 billion in 2024 to USD41.5 billion by 2029, at a CAGR of 18.5%.

- ***Rapid proliferation of AI applications:*** Recent increases in AI algorithm and reductions in related costs have facilitated the widespread adoption of large AI models. As a result, the increasing intelligence of terminal devices and the always-online nature of AI applications are transforming global data traffic. This transformation is characterized by a shift toward a "high-frequency interaction and real-time response" paradigm. Consequently, this shift is driving demand for high-end enterprise-grade broadband, wireless, and industrial IoT equipment. According to F&S, the global market for broadband products with 10GPON and above transmission rates is expected to grow from USD1.8 billion in 2024 to USD2.6 billion by 2029, with a CAGR of 21.9%. The global market for Wi-Fi 7 equipment is projected to grow from USD0.7 billion in 2024 to USD13.8 billion by 2029, with a CAGR of 82.2%.

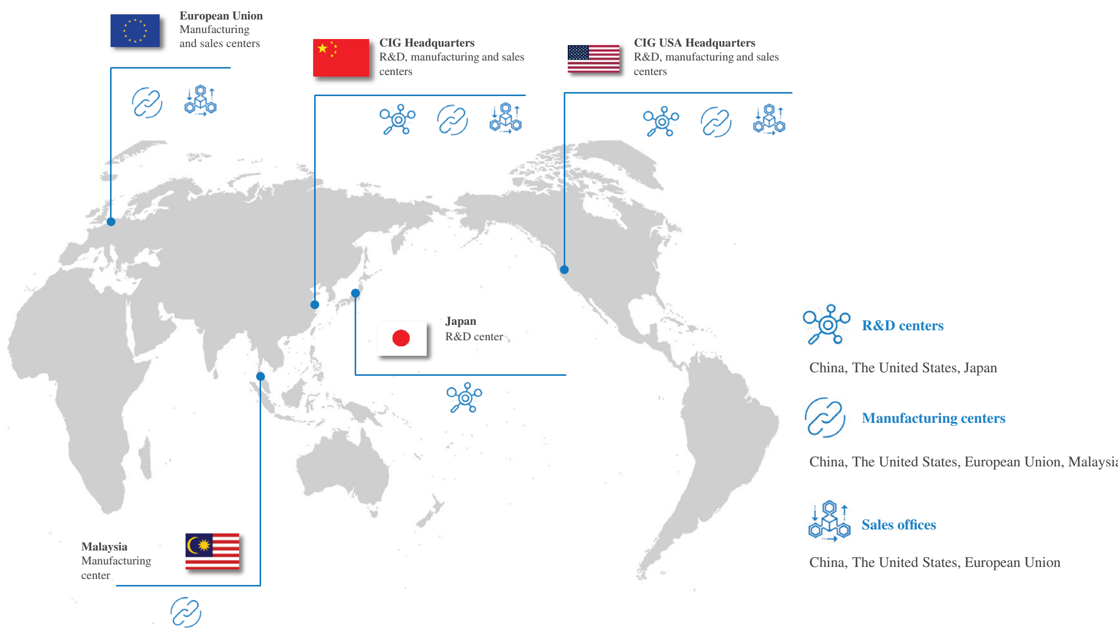
For more information regarding our such market opportunities, please refer to the section headed "Industry Overview" in this Document.

Our inherent nature of global presence

We are an inherently global company that is rooted in a rich heritage, equipped with advanced capabilities, and driven by a long-term globalization strategy. Our founders and management team bring highly globalized educational backgrounds and professional experiences. Notably, our founder, Mr. Gerald G Wong, is an MIT graduate and he served at AT&T Bell Labs (later became Lucent Technologies Bell Labs) and as a vice president of Lucent Technologies, managing the Network Department's products. His experience and leadership have been instrumental in shaping our Company's globalization strategy. In addition, we have strategically acquired certain assets in photonics technology and R&D personnel from MACOM and Lumentum, two renowned optical communication companies in the United States. Through such acquisitions, we have positioned ourselves as leaders in the photonics market. Furthermore, through our acquisition of Actiontec, we have strengthened our software development capabilities and offerings in North America, further solidifying our position in the industry.

Our global presence is guided by our 'multi-local' strategy, which is built by leveraging localized capabilities and resources in various countries and regions, maximizing talent utilization, and ensuring proximity to our customers. This strategy transcends mere notions of globalization. It is a strategy that has enabled us to establish a fully globalized value chain in R&D, production, supply chain, and sales. For instance, our R&D centers are strategically situated across China, the United States, and Japan. This global footprint enables us to gain a deeper understanding of technological advancements, leverage local talent, and provide close support to our customers. Another aspect of our 'multi-local' global strategy is our co-location manufacturing model that engages a multitude of local partners around the globe in order to diversify our manufacturing capacity and capabilities. As of the Latest Practicable Date, we had engaged six co-location partners in China, Malaysia, Europe, and the United States. We also believe this model ensures that we will always have a robust and resilient operational framework that can navigate the rapid developments in global trade, mitigate supply chain risks and hedge against geopolitical uncertainties. In addition, our sales force is spread across the globe, dedicated to delivering high-quality, professional, and personalized services to our customers worldwide. For instance, we have established a strong presence in the North American market, with an R&D center and a co-location facility, along with region-focused sales and marketing teams that work closely with these facilities to timely address North American market needs.

The following diagram highlights our global R&D, manufacturing and sales layout as of December 31, 2024:



As a testament to our global reach and impact, our customer base spanned across 52 countries and regions as of December 31, 2024, comprising AI data centers, telecommunication operators, ICT equipment providers, MSOs, and IoT solutions providers, and our overseas sales represented 82.9%, 89.3%, and 92.6% of total revenue for the years ended December 31, 2022, 2023, and 2024, respectively.

Our R&D capabilities

We believe that continuous investment in R&D is a key to maintaining our technological leadership. Our R&D team comprised 630 members, representing over 50% of our total workforce as of December 31, 2024. Our core team and R&D staff are drawn from some of the world's most prestigious institutions such as the Massachusetts Institute of Technology ("**MIT**"), Stanford University, California Institute of Technology, Columbia University, University of California, Berkeley, Imperial College London, Tsinghua University, Peking University, Shanghai Jiao Tong University, and Zhejiang University. Our R&D expenses represented 7.1%, 8.9%, and 8.8% of our total revenue for the years ended December 31, 2022, 2023, and 2024, respectively. Additionally, our cumulative R&D investments during the Track Record Period exceeded RMB1.2 billion. According to F&S, both our R&D personnel ratio and investment levels rank among the highest in the global OWCD industry.

Our R&D team operates across multiple centers worldwide, demonstrating our commitment to valuing talent irrespective of geographic location. Our R&D centers are not siloed; instead, they operate in a highly integrated manner. Researchers and developers from different centers regularly engage in cross-functional teams, sharing insights and expertise. This global collaboration is essential in driving our R&D excellence. For instance, our R&D center in Silicon Valley will collaborating with our local sales team in order to engage in the latest technology developments and understand the evolving needs of major U.S. customers.

Our R&D center in Japan maintains close communication with mainstream optical chip suppliers, achieving seamless upstream and downstream cooperation. Our R&D teams in China work on various aspects of photonics, including thermal simulation, radio frequency simulation, functional and reliability testing, failure analysis, software and Wi-Fi-related R&D work. Our in-house manufacturing facilities in China will also collaborate with the local supply chain to develop and execute various cost-reduction initiatives. This cross-pollination of ideas across geographies and disciplines fosters continuous innovation, further strengthening our product development capabilities and intellectual property portfolio. As of the Latest Practicable Date, we hold over 410 valid patents and through our strategic acquisitions, we have gained access to over 580 patents via licensing agreements, in China and overseas.

We also believe that our current success and our industry-leading position is attributable to our product development strategy. Our core development philosophy revolves around researching one generation, developing one generation, and producing one generation. This approach allows us to stay ahead in the market by anticipating and seizing opportunities with the right products to capture market demands. For research products, we closely monitor industry trends and increase investment in forward-looking technologies to launch industry-leading innovations. For our products in development, we focus on refining and optimizing the designs to ensure they meet the highest standards of performance and reliability. For mass-produced products, we continuously invest in R&D to enhance cost efficiency and maintain the competitiveness of our core offerings.

For further information, please refer to the subsection headed "— Research and development" in this section.

Our intelligent manufacturing capabilities

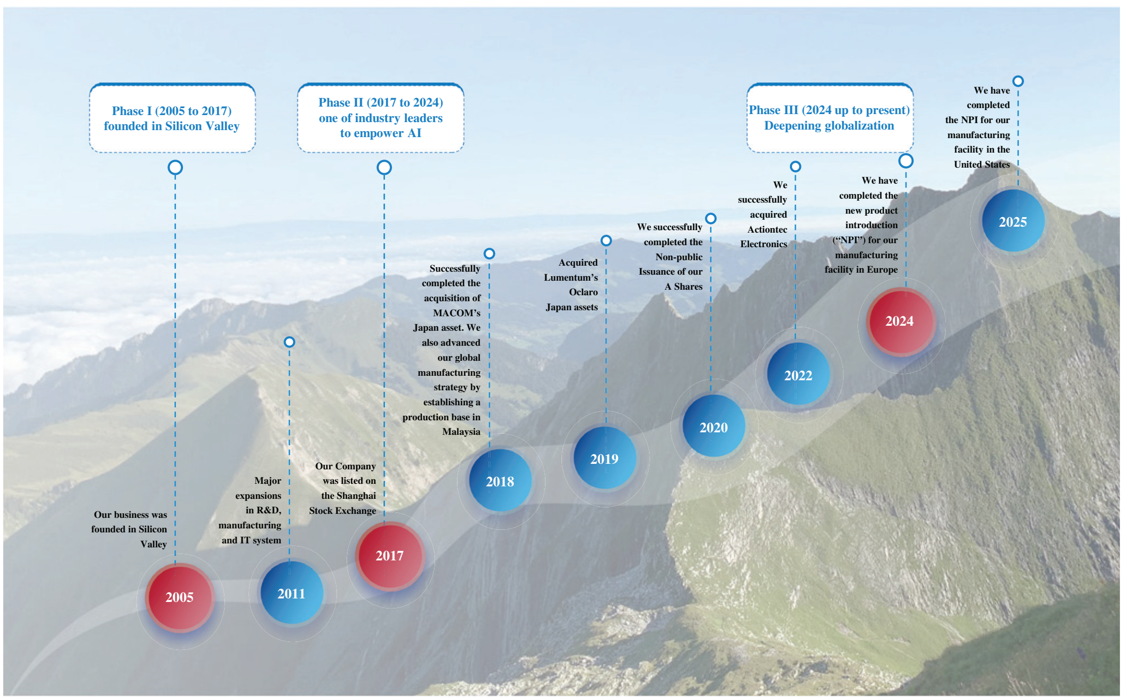
According to F&S, we were among the first in the global OWCD industry to establish intelligent manufacturing facilities. Our in-house facility, which is integrated with advanced and automated technologies, serves as a benchmark for intelligent manufacturing. For example, we have implemented the bi-directional optical sub-assembly ("**BOSA**") on-board production process in which can enhance circuit board design flexibility, reduce the components required simplify installation and placement, and significantly lower production costs. As a testament of our intelligent manufacturing capabilities, our in-house facility has received various honors and awards, including being recognized as the Innovative Enterprise Headquarters of Shanghai, the Shanghai Intelligent Factory and Shanghai Top 100 Manufacturing Enterprises. We consistently invest in information technology and automation R&D, utilizing third-generation collaborative robots and embedding self-developed AI software to create highly automated intelligent manufacturing lines. Our self-developed industrial IoT system can be applied to all product manufacturing processes, achieving a high integration of automation and information technology, and ensuring efficient coordination and integration throughout the entire intelligent manufacturing process. By leveraging the intelligent manufacturing experience accumulated at our in-house facility, we have been able to quickly replicate our core production technologies and standardized production processes at our global co-location sites, and quickly expand on our manufacturing capacity and capabilities.

For further information, please refer to the subsection headed "— Our technologies — Technologies used in our intelligent manufacturing processes" in this section.

Our key milestones

Our history dates back to 2005, when our founder, Mr. Gerald G Wong, along with his colleagues, founded and bootstrapped our telecommunication broadband access business in Silicon Valley, United States. Since then, we have continually transformed ourselves by expanding and upgrading our solutions and technologies.

Set out below are our milestones in a nutshell:



For further information, please refer to the section headed "History, Development and Corporate Structure" in this Document.

OUR COMPETITIVE STRENGTHS

Our achievements to date and the foundation for our future growth are driven by the following competitive advantages:

Our visionary management and R&D teams, with their international backgrounds and profound industry insights, have driven us to achieve groundbreaking R&D breakthroughs.

Our management team and staff are industry experts with a global perspective. Our founder and chairman, Mr. Gerald G Wong, an MIT graduate with over 40 years of industry experience, was recently recognized as one of the Outstanding Entrepreneurs of Minhang

District by the People's Government of Minhang District in Shanghai. Our core team and R&D members are drawn from some of the world's most prestigious institutions, forming a crucial building block of our foundation. Equally significant are the years of practical experience these professionals bring with them from top industry firms, which transform cutting-edge research into real-world solutions. Furthermore, our international, dynamic, and performance-driven corporate culture fosters innovation and collaboration, creating lasting value for our customers, employees, shareholders, and society. These core values of 'Collaboration, Innovation, and Growth' empower our global team to develop industry-leading products and technologies. To align employee interests with our long-term growth, we have implemented five restricted share and share option incentive schemes since 2018. As of the Latest Practicable Date, the 2022 Restricted Share Incentive Scheme and the 2024 Share Option Incentive Scheme were still in effect. Please refer to the section headed "Statutory and General Information — Our Share Incentive Schemes" in Appendix VI to this Document for details.

Our success is also fueled by our unwavering commitment to continuous R&D and innovation. As of December 31, 2024, we had 630 R&D personnel, accounting for over 50% of our total workforce. During the Track Record Period, our cumulative R&D investments exceeded RMB1.2 billion. According to F&S, both our R&D personnel ratio and investment levels rank among the highest in the global OWCD industry. Our dedicated R&D team operates across multiple R&D centers worldwide. This global collaboration is a key factor in driving our R&D excellence. Such cross-pollination of ideas across geographies and disciplines fosters continuous innovation, which further strengthens our product development capabilities and our intellectual property portfolio.

Owing to such groundbreaking R&D breakthroughs that have resulted from our visionary management and a steadfast commitment to innovation, we have established ourselves as one of the industry-leading providers of critical infrastructure components that supports AI development. Moreover, rather than being mere contract manufacturers with limited skills, we prioritize R&D and product design for our customers with our JDM and ODM models. Such models capitalize on advanced capabilities in product innovation and development, enabling us to deliver solutions that distinguish us in the industry. Our JDM model, in particular, necessitates earning the trust of major brands through close collaboration and supervision throughout the process. Achieving the level of trust and integration required for JDM is a rare feat, and even fewer can do so while meeting the stringent requirements of customers in the United States and Europe. As of December 31, 2024, our customer base comprised AI data centers, telecommunication operators, ICT equipment providers, MSOs, and IoT solutions providers, many of which are based in the United States and Europe. This trust underscores our exceptional capabilities and unwavering commitment to innovation and excellence.

We are well-positioned as experts in connectivity solutions that will drive the growth of AI.

We are positioned as one of the leaders in connectivity solutions that can drive the future of AI development. Our focus on R&D has propelled us to the forefront of technological advancements, particularly in following areas:

- ***Photonics solutions:*** Products under our current photonics solutions portfolio include those reaching 100G, 400G, 800G, and 1.6T interconnection speeds, and they can adapt to a variety of industry-standard form factors for ease of installation. We were among the first companies globally to deploy 800G and 1.6T photonics products. As of the Latest Practicable Date, 800G optical module represented the most advanced mass-produced photonics products worldwide, and 1.6T is one of the leading research products in the industry. We were among the first in the industry to develop silicon photonics based module technology, which facilitates the creation of high transmission rate products that can perform high integration at low cost and low power consumption. This technology is considered essential for supporting the continuous exponential growth of computational power, thus playing a crucial role in developing critical infrastructure that can support the AI development. We were also among the first in the industry to develop LPO technology that ensures low power consumption, low latency, reduced costs, and improved performance, making it ideal for AI computational models and data centers. To complement our leadership in LPO technology, we are also advancing the development of immersion liquid-cooled photonics technology to address our customers' growing demands for server efficiency, stability, and thermal management. We are also currently in the process of developing our packaged laser and silicon photonics engine (i.e., ELS, external light source) for CPO technology which can offer substantial cost reductions while delivering exceptional performance. Such technology can integrate the network and photonic engine into a single slot, drastically reducing the distance between the switch chip and the photonic engine. This proximity enables faster electrical signal transmission, making such technology ideal for AI training and applications.

- ***Broadband solutions:*** Our broadband solutions provide users with stable and high-speed network access, forming the foundational support for digital connectivity. They ensure stable data transmission over long distances without interference from external wireless signals, offering reliable network connections for homes, businesses, and institutions. Our XGS PON represents the latest generation of mainstream 10GPON technology in the broadband field, occupying over 30% of the global 10GPON market in terms of shipping volume as of December 31, 2024. We were also among the first to achieve mass production of 25GPON worldwide and were among the pioneers deploying 50GPON. As of the Latest Practicable Date, our 25GPON was the fastest mass-produced product globally, while 50GPON was poised to become the next-generation mainstream product in the broadband field. We have also contributed to the industry's efforts in the early-stage evaluation of 100GPON technology.

- ***Wireless solutions:*** In general, our wireless solutions comprise (i) Wi-Fi products designed for the free/unlicensed spectrum, which is particularly suitable for the connectivity needs of households and small businesses; and (ii) small cell products that can help build radio access networks ("**RAN**") operating in the licensed spectrum, used for tightly controlled activities such as cellular services, radio stations, and television broadcasts. We were among the first in the global OWCD industry to develop and mass-produce Wi-Fi 7 products, which provide high bandwidth, fast transmission speeds, and low network latency between computing clusters and end users, thus forming a part of the world's AI application terminal infrastructure. In collaboration with Google Fiber, we have introduced this industry's first 20G uplink Wi-Fi 7 gateway for home and small business customers. This breakthrough delivers network services exceeding 10Gb/s, enhancing high-speed interconnectivity and broad coverage. Currently, we are conducting R&D on Wi-Fi 8, the next-generation mainstream product in the Wi-Fi field.

Owing to the wide range of our portfolio of products, as well as our expertise in developing products of cutting-edge technologies, we are able to reinforce our leadership in the global OWCD industry, and are well-positioned to seize the massive growth opportunities in this new era of explosive AI development. The recent rapid growth of AI applications highlights the critical demand for computational power and data transmission. This issue has garnered significant attention across global industries, fueling a growing interest in the type of connectivity products at which we excel, thus cementing a path for our future growth and maintaining our industry-leading position.

For further information regarding the future market outlook and how we will thrive in this new era of AI development, please refer to the section headed "Industry Overview" in this Document.

We are an inherently global company, with a fully globalized value chain layout.

Our inherently global capabilities and long-term 'multi-local' strategy have enabled us to achieve a fully globalized value chain layout in terms of R&D, production, supply chain, and sales. By leveraging global resources, we have maintained competitiveness in technology, products, and solutions offerings. Such a strategy and layout have distinguished us from our peers in the global OWCD industry. In particular:

- ***Global R&D:*** We have established R&D centers in China, the United States, and Japan, forming excellent local teams that leverage core global R&D resources. These teams work closely together, complementing each other's strengths to advance new products and technologies. For instance, our R&D center in Silicon Valley will collaborate with our local sales team to participate in the latest technology development and understand the evolving needs of major customers in the United States. Our R&D center in Japan closely communicates with mainstream optical chip suppliers, achieving close upstream and downstream cooperation. Our R&D centers in China focus on various aspects of photonics, including thermal simulation, radio frequency simulation, functional and reliability testing, failure analysis, software and Wi-Fi-related R&D work. Our in-house manufacturing facilities will also collaborate with the local supply chain to develop and execute various cost-reduction initiatives. Moreover, some of our R&D staff will occasionally visit our manufacturing site in Malaysia and conduct R&D projects that can help us to improve our manufacturing capabilities.

- ***Production and supply chain:*** Our co-location manufacturing model has allowed us to quickly expand our production and supply chain capabilities in China, Malaysia, Europe, and the United States, and by leveraging the intelligent manufacturing experience accumulated at our in-house facility, we have also been able to effectively and efficiently replicate our core technologies and standardized processes at our co-location partner's facilities. This enables us to effectively control production costs, swiftly adjust production capacity in response to industry cycles and demand surges, and manage potential regional risks. It also provides us with the flexibility and means to rapidly respond to trade policy uncertainties and geopolitical challenges.

- ***Market expansion:*** As of December 31, 2024, our customers spanned six continents across 52 countries and regions. Our global sales team and diverse product offerings allow us to consistently seize business opportunities around the world and actively engage in the growth spurred by advancements and updates in essential communication products. We also strategically position our R&D teams in close proximity to our key customers, allowing us to swiftly and accurately understand their needs. This enables us to rapidly deploy R&D efforts to launch products that meet their demand for high-quality, advanced, and cost-efficient solutions.

- ***Strategic acquisitions:*** Our ability to make strategic global acquisitions is a crucial foundation for our global layout, allowing us to seize future growth opportunities. In 2018, we acquired part of MACOM Japan's assets, marking our entry into the TOSA and ROSA sub-assembly of the photonics field. The following year, we further strengthened our photonics technology by acquiring part of Lumentum's Oclaro Japan assets. In 2022, we acquired Actiontec, significantly enhancing our R&D and sales capabilities in the North American market and improving our R&D capabilities to better meet the demands and user experience of North American customers. Through strategic acquisitions of high-quality global assets, we continuously expand our global value chain layout and seize future growth opportunities.

Our success has been driven by flexible and efficient business models.

We provide customized products and solutions to our customers under flexible service models, namely, our JDM and ODM models, both being commonly adopted models in the industry in which we operate. Under our JDM model, we collaborate with top global customers in product R&D and design, forming long-term and close partnerships. On the other hand, our ODM model, requires comprehensive hardware and software R&D capabilities. Under this model, we independently develop equipment hardware and software, with the products sold under a customer's brand.

We believe that with our expertise and experience, we are able to adopt such business models which are built on the foundation of the trust we earned from our customers over the years. This enables us to better serve our customers and maintain a competitive edge in the market. According to F&S, during the Track Record Period, our customers included the world's top five information and communication technology equipment providers. One of them is a leading global communication equipment provider, and another being a leading global technology giant. The average duration of cooperation with our five largest customers during the Track Record Period exceeded ten years.

We maintain an open-minded and innovative approach to our business models. For instance, in certain advantageous regions and market segments, we are exploring the promotion of our own brands as an enhancement to our ODM model. Additionally, we have endeavored to empower our partners in North America through IP licensing arrangements, manufacturing support, technical assistance, and other potential methods. This enables us to offer supply chain diversification to prospective customers and markets, particularly in areas where we encounter significant geopolitical challenges. We remain adaptable and flexible in modifying our business models efficiently and effectively to maximize the benefits for our business.

We are capable of, and have successfully, scaled-up our manufacturing capabilities globally.

Our intelligent manufacturing capabilities are the foundation for achieving efficient, stable, and replicable mass production. Our in-house facility, which is integrated with IT and automated technologies, serves as a benchmark for intelligent manufacturing. It has received awards and recognitions such as being recognized as the Innovative Enterprise Headquarters of Shanghai, the Shanghai Intelligent Factory and Shanghai Top 100 Manufacturing Enterprises. In addition, our new in-house facility in Jiashan, near Shanghai, will be in operation later in 2025. According to F&S, we were among the first in the global OWCD industry to establish intelligent manufacturing facilities. Such intelligent manufacturing expertise accumulated at our in-house facility can be easily and rapidly replicated at our global locations. This is achieved through our co-location manufacturing model, upon which we would utilize local partners' resources, provide core management personnel and equipment, and replicate our intelligent manufacturing capabilities, by achieving efficient control of core processes. Under this model, we can ensure that our co-location partners and our in-house facilities will use identical production processes and intelligent manufacturing systems, achieving the full-process control of production worldwide.

OUR FUTURE STRATEGIES

We are committed to preserving our status as market leaders and to fostering our financial and operational expansion via these future strategies:

We plan to continue attracting top global talent to enhance our overall competitiveness.

We firmly acknowledge that international talents are invaluable assets to our organization. Over the years, we have attracted talents with industry experience from around the world. This approach has enabled us to maintain our core competitiveness and achieve consistent performance growth since our establishment. We believe that the diverse perspectives and expertise brought by these international talents have been instrumental in our sustained success. Moreover, our commitment to fostering a diverse workforce is unwavering, and we actively promote inclusivity and fairness within our working environment. It is our objective to ensure that every employee can realize their full potential, thereby driving the continuous success of our Company.

Looking ahead, we plan to continue attracting top international talents and expanding our team to further enhance our overall competitiveness. By leveraging the unique skills and experiences of a diverse workforce, we aim to remain at the forefront of our industry and continue delivering exceptional value to our stakeholders. Our long-term vision is to create an inclusive environment where every individual feels valued and empowered to contribute to our collective success.

We will increase our R&D investment to maintain our leading edge in the industry.

We believe that continuous investment in R&D is essential for maintaining the competitiveness of our solutions. Since our inception, we have established a robust three-tier system for product R&D, encompassing research, development, and mass production. Our core development philosophy revolves around researching one generation, developing one generation, and mass producing one generation. This systematic approach enables us to continuously advance the productization of strategic reserve technologies, explore new markets, and launch mass-produced products that meet customer needs while maintaining strong competitive advantages.

In addition, we have begun implementing AI-enhanced manufacturing processes and quality control mechanism, and we plan to continue expanding these initiatives. By integrating AI into our operations, we aim to enhance efficiency, precision, and overall product quality. Furthermore, we will continue to look for the latest technologies to stay ahead in the global OWCD industry. This proactive strategy ensures that we remain at the forefront of innovation, leveraging cutting-edge advancements to sustain our leadership position and drive continuous growth.

The following illustrates our future R&D direction in relation to our products and solutions:

- ***Photonics solutions:*** We aim to further expand our 800G optical modules product matrix to serve more customers with diverse demands. We will continue to promote the R&D and commercialization of 1.6T optical modules and further improve the production process of our photonics products, and focus particularly on the silicon photonics, LPO and CPO technologies in future generation solutions.

- ***Broadband solutions:*** We plan to increase R&D investment towards the technological evolution of 50GPON and 100GPON, thereby continuously leading industry development and consolidating our leading position.

- ***Wireless solutions:*** We will develop high-end wireless products that can be embedded with AI and collaborate with smart terminals for future AI applications, thereby continuously expanding our competitive advantage. Additionally, we will invest in the R&D of Wi-Fi 8 technology to further advance our market leadership.

We aim to optimize our global production capacity layout and continue to invest in intelligent manufacturing to meet the demand of our customers.

A comprehensive global production capacity layout is considered a core competency in our industry. Such a layout enables us to meet the diverse product needs of customers worldwide and respond effectively to complex international environments. Our clients, who are industry leaders, require high-quality and reliable capacity matches. Therefore, optimizing our global production capacity layout is essential for securing key orders from top global clients.

For such reasons, intelligent manufacturing is fundamental to optimizing our global production capacity. We adhere to a lean production philosophy and consistently build intelligent facilities that integrate information technology and automation to high standards.

As of the Latest Practicable Date, we have empowered our in-house facilities in Shanghai, and those of all of our co-location partners with intelligent manufacturing capabilities. Looking forward, we plan to further increase investment in intelligent manufacturing to enhance our production intelligence and respond to the evolving demands of our customers. This strategic focus will ensure that we remain at the forefront of the industry, delivering exceptional value and maintaining our competitive edge. Moreover, by driving an efficiency-oriented innovation strategy, our intelligent manufacturing capabilities will remain capable of supporting the implementation of our future global production strategies.

We plan to further expand our globally localized sales network.

The global ICT infrastructure market is experiencing varying levels of advancement, with governments globally consistently unveiling large-scale digital infrastructure initiatives. According to F&S, the global markets for PON devices, Wi-Fi devices, and optical modules are projected to reach USD11.9 billion, USD21.2 billion, and USD41.5 billion respectively by 2029. As different categories of fundamental telecommunications products continue to be updated and iterated, regional development disparities present structural growth opportunities for our diverse product portfolio.

As of December 31, 2024, our sales and marketing layout comprised a total staff size of 82, spanning across Asia, Europe and the United States. Looking forward, we intend to further expand our global sales network. Our objective is to capture the substantial growth opportunities available in various countries worldwide. By leveraging our strengths in cost efficiency and technological innovation, we aim to meet the diverse needs of our global clientele and respond effectively to the complexities of international markets. This strategic expansion will enable us to maintain our competitive edge and drive sustained growth in the ever-evolving telecommunications industry.

OUR SOLUTIONS

During the Track Record Period, we have been primarily designing, manufacturing, and selling (i) photonics solutions; (ii) broadband solutions; and (iii) wireless solutions to our customers. The following table sets forth our sales volume and revenue breakdown by such solutions for the years indicated:

	For the year ended December 31,											
	2022				2023				2024			
	Sales volume		Revenue		Sales volume		Revenue		Sales volume		Revenue	
	Units'000	*%*	*RMB'000*	*%*	*Units'000*	*%*	*RMB'000*	*%*	*Units'000*	*%*	*RMB'000*	*%*
Photonics solutions	890	6.5	478,215	12.6	587	6.0	446,680	14.5	356	2.8	491,527	13.5
Broadband solutions	10,169	74.0	2,059,278	54.5	7,559	77.6	1,827,146	59.2	9,580	74.7	2,032,689	55.7
Wireless solutions	2,018	14.7	1,056,051	27.9	1,220	12.5	718,518	23.3	2,570	20.0	1,052,400	28.8
Others[(1)]	671	4.8	190,195	5.0	376	3.9	93,018	3.0	319	2.5	73,273	2.0
Total	**13,748**	**100.0**	**3,783,739**	**100.0**	**9,742**	**100.0**	**3,085,362**	**100.0**	**12,825**	**100.0**	**3,649,889**	**100.0**

Note:

1. Primarily included carrier-grade ethernet switches and edge computing products.

Since our inception, we have been dedicated to providing customized solutions to meet the needs of our customers. Our solution offerings comprise an array of products that are specifically designed and manufactured, which are complemented by comprehensive software and support services. These solutions have been adopted by global telecom operators and major data centers operated by internet companies worldwide.

Photonics solutions

Our photonics solutions are used by telecommunication operators (including 5G network operators), data center operators, and LLM developers. During the design and development stages, we would collaborate closely with them to ensure that our solutions will meet their specific requirements. Key design parameters for photonics solutions that we often would need to meet include:

- ***Power consumption:*** This is a significant cost factor for data center operators and LLM developers as it affects heat generation and dissipation, posing substantial challenges in maintaining a controlled environment within data centers.

- ***Size:*** This is a key parameter because the miniaturization of photonic components allows for high integration density, which is crucial for data centers and telecommunication networks. Smaller components mean more can be packed into a given space, leading to more efficient use of physical infrastructure. Additionally, reduced size can lead to lower power consumption and heat generation, which are critical for maintaining the performance and reliability of optical communication systems.

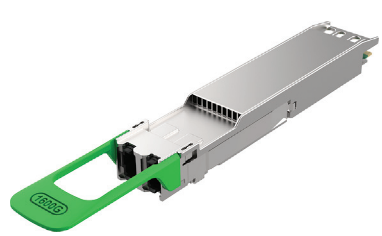
- ***Range:*** It determines the distance over which optical signals can be transmitted without significant loss of signal quality. Effective range management ensures that data can be transmitted reliably and efficiently, reducing the need for frequent signal boosting or regeneration. We offer both single-mode and multi-mode optical transceivers to our customers. Single-mode transceivers, while more costly, are effective over longer distances. The customers can pick the best matching products based on their specifications on range.

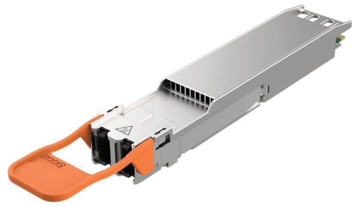
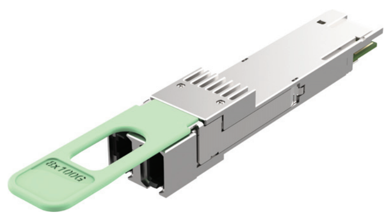
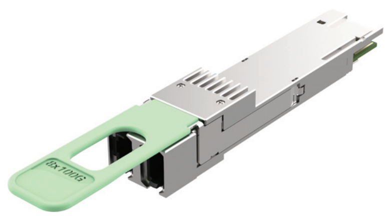
- ***Speed:*** High-speed data transmission is fundamental to meeting the growing demand for bandwidth in modern communication networks. Photonics-based systems enable high data rates and lower latency over long distances compared to traditional electrical interconnects, making them critical for high-performance applications. This is particularly relevant for large-scale data center operations, AI-driven workloads, and real-time data processing, where throughput and latency are key performance metrics.

Key products under our photonics solutions portfolio include those reaching 100G, 400G, 800G, and 1.6T interconnection speeds, and they typically use form factors that offer a high level of adaptability to various data communication standards for ease of installation. Our products are also adaptable to NVIDIA GPUs that are widely used in LLM training and inference, and they can link buildings or data centers up to 10km apart. We have also developed photonics solutions with 1.6T interconnection speeds, with mass production planned to take place in 2026. A prototype based on the latest 3 nm digital signal processing ("**DSP**") and silicon photonics based module technology has been live-demonstrated at the Optical Networking and Communication Conference and Exposition in San Francisco in April 2025. Such solutions are intended to be used by large scale data centers and for LLM applications.

During the Track Record Period, we sold 0.9 million, 0.6 million, and 0.4 million products under our photonics solutions portfolio, generating a sales revenue of RMB478.2 million, RMB446.7 million, and RMB491.5 million, respectively.

Among the numerous types of products in our portfolio, the following table sets forth the details of our photonics products with the most advanced technologies, and their characteristics, as of the Latest Practicable Date:

Product type	Product picture and name	Product features
1.6T products . .	 *1.6T OSFP*	We primarily offer 1.6T products in the OSFP form factor, supporting rates up to 1,600Gb/s, accomodating different configurations and range options of 500m or 2km over single mode fiber. The operating case temperature for such products is between 0°C and 70°C.

Product type	Product picture and name	Product features
800G products . .	 *800G OSFP*	We primarily offer two types of 800G products in the form factors of OSFP and QSFP-DD. Both support data rates of up to 800Gb/s over single mode fiber, and can accommodate different configurations.
	 *800G QSFP-DD*	Our 800G products are available with range options of 500m, 2km, or 10km, and are primarily used in enterprise switches, data centers, and LLM. The operating case temperature for such products is between 0°C and 70°C.
400G products . .	 *400G QSFP112*	We primarily offer two types of 400G products in the form factors of QSFP112 and QSFP56-DD. Both support data rates of up to 400Gb/s over single mode fiber, and can accommodate different configurations.
	 *400G QSFP56-DD*	Our 400G products are available with range options of 500m, 2km, or 10km, and are primarily used in enterprise switches, data centers, and LLM. The operating case temperature for such products is between 0°C and 70°C.

In addition, we offer a comprehensive portfolio of 200G, 100G, 50G, and 25G products to cater to diverse needs. This portfolio reflects our robust R&D capabilities and the wide-ranging applications of our innovations.

The development of photonics technologies has significantly enhanced network transmission capacity and efficiency, providing robust technical support for digital connectivity. These solutions can enable the rapid transmission of large volumes of data in a short time, meeting the bandwidth and speed requirements of emerging technologies such as cloud computing, big data, and artificial intelligence. Additionally, the advancement of photonics technologies reduces network transmission costs and improves network reliability and stability, fostering the widespread adoption and development of fiber optic communication networks. Consequently, we anticipate that the market demand for photonics will continue to rise in the future.

For further information on the market outlook for photonics solutions, please refer to the section headed "Industry Overview" in this Document.

Broadband solutions

We have been actively involved in the design, production, and sale of broadband solutions based on passive optical network ("**PON**") technologies. PON is an all-optical fiber network infrastructure that utilizes a point-to-multipoint configuration, allowing a single optical fiber to serve multiple residences. This architecture employs passive, unpowered optical splitters to connect to residential, commercial, or industrial premises, thereby reducing equipment costs compared to point-to-point networks.

Our broadband solutions provide users with stable and high-speed network access, forming the foundational support for digital connectivity. They ensure stable data transmission over long distances without interference from external wireless signals, offering reliable network connections for homes, businesses, and institutions. Additionally, PON technologies play a crucial role in the development of smart cities, providing a dependable network foundation for intelligent transportation, smart security, and environmental monitoring. Over the past two decades, we have advanced the industry from the 1G/2.5G generation of GPON and EPON to the 10GPON generation and beyond. This progress not only enhances the quality and performance of connectivity for residential and enterprise applications but also facilitates the integration of newly developed AI technologies from remote data centers into daily life. Our continuous innovation ensures that our broadband solutions remain at the forefront of technological advancements, supporting the ever-evolving needs of our customers and the broader digital ecosystem.

During the Track Record Period, we sold 10.2 million, 7.6 million, and 9.6 million products under our broadband solutions portfolio, with a sales revenue of RMB2,059.3 million, RMB1,827.1 million, and RMB2,032.7 million, respectively.

In general, products under our broadband solutions portfolio cover these three types of PON:

50G/25GPON

50G/25GPON technology is the latest in PON technology. Our 25GPON supports configurations such as 25Gb/s symmetrical and 25Gb/s downstream with 10Gb/s upstream. Meanwhile, our 50GPON primarily offers two configurations: 50Gb/s symmetrical, 50Gb/s downstream with 25Gb/s upstream. Our 25GPON products are in field trials with key customers; we have volume orders from at least one customer, aiming for commercial deployment by late 2025. Although the industry standard for 50GPON has just been finalized recently in 2024, we are actively collaborating with industry partners on early-stage R&D, and we aim to launch our 50GPON products within the timeframe of 2026/2027.

Among the numerous types of products in our portfolio, the following table sets forth the details of our 50G/25GPON products with the most advanced technologies, and their characteristics, as of the Latest Practicable Date:

Product type	Product picture and name	Product features
50GPON	 *50GPON ONT*	Our 50GPON product offers high-speed internet connections designed to meet modern digital demands. On the local network side, it features a 25GE optical interface and two 10GE electric interfaces. For wider network connections, it provides either a 50Gb/s-25Gb/s asymmetric PON interface or a 50Gb/s-50Gb/s symmetric interface. This product is ideal for ultra-high-definition video, immersive video, cloud services for small and medium enterprises, AI applications, 5G wireless transport, and smart power grids due to its advanced security capabilities.

Product type	Product picture and name	Product features
25GPON	 *25GPON ONT*	Our 25GPON product is designed to provide high-speed internet connections. On the local network side, it features one 25GE optical interface and one 10GE electric interface, ensuring fast data transfer within your network. For wider network connections, it offers a symmetric interface with 25Gb/s for both downloading and uploading data. This product is ideal for ultra-high-definition video, immersive video experiences, cloud services for small and medium enterprises, AI applications, and 5G wireless transport. It ensures that all these demanding applications run smoothly and efficiently.

XGS-PON/10G EPON

Simply put, XGS-PON is an advanced version of GPON that supports 10Gb/s speeds for both upstream and downstream, and is widely adopted by telecom and Internet service providers. Similarly, 10GEPON is the advanced version of EPON, also supporting 10Gb/s speeds, and is mainly adopted by MSOs and cable network operators.

Among the numerous types of products in our portfolio, the following table sets forth the details of our XGS-PON/10G EPON products with the most advanced technologies, and their characteristics, as of the Latest Practicable Date:

Product type	Product picture and name	Product features
XGS-PON	 *SFU*	Our XGS-PON products come in two port configurations, namely single-port and multi-port, and some of them are equipped with a Wi-Fi button and a Wi-Fi protected setup button, integrating Wi-Fi 6 technology for high-speed wireless networking. The XGS-PON products feature equal upload and download speeds, making them ideal for video conferencing, high-definition content streaming, and large file uploads.
10G EPON	 *SFU*	Our 10G EPON products come in two port configurations, namely single-port and multi-port, and are available with both symmetrical and asymmetrical options. Such products are ideally used in high speed internet access, high-definition video, real-time video and voice as well as AI applications of different devices.

GPON/EPON

GPON and EPON are two types of PON technologies used for delivering high-speed internet, voice, and video services over fiber optic cables. GPON is standardized by the International Telecommunication Union ("**ITU-T**") and uses asymmetrical data rates of 2.5Gb/s downstream and 1.25Gb/s upstream. This means it can deliver high download speeds compared to upload speeds. GPON is widely deployed in Europe and parts of Asia, often used by telecom operators who require high-speed internet and triple-play services (i.e., data, voice, and video). EPON is standardized by the Institute of Electrical and Electronics Engineers ("**IEEE**"). It uses Ethernet frames for all types of data, making more compatible with existing Ethernet networks. EPON provides symmetrical data rates of 1Gb/s for both downstream and upstream, offering equal speeds for both directions. It is commonly deployed in North America, favored by cable operators and internet service providers due to its compatibility with existing ethernet infrastructure.

Among the numerous types of products in our portfolio, the following table sets forth the details of our GPON/EPON products with the most advanced technologies, and their characteristics, as of the Latest Practicable Date:

Product type	Product picture and name	Product features
GPON ONT. . . .	 *multiple dwelling units ("**MDU**") (G-300)*	We offer single-port MDU products designed for fiber-to-the-building applications, which can cost-effectively serve many users simultaneously.
	 *residential gateway unit ("**RGU**") (G-97RG9)*	We primarily offer RGU products designed with an integrated enhanced gateway function, which can deliver superior home networking services in one box.

Product type	Product picture and name	Product features
	 *single family unit ("**SFU**") (G-97V3)*	Our SFU products come in two port configurations, namely single-port and multi-port, and some of them are equipped with a triplexer to enhance functionality and support multiple frequency bands. Such products are designed for the fiber-to-the-home applications.
GPON SFP	 *small form pluggable ("**SFP**") (G-97S)*	We primarily offer SFP products with SC connectors and SFF 8472 two-wire interfaces, suitable for end-users with routers equipped with SFP cages to ease the addition of high-speed GPON access. Such products are ideally used in home router with SFP cage and Ethernet Switch with SFP cage. By doing this, the home router and Ethernet Switch can be transitioned to GPON terminal and access the high-speed PON network.

Wireless solutions

Our wireless solutions serve a broad customer base, including (i) major telecommunication operators aiming to improve their network infrastructure and service offerings; (ii) system integrators aiming to create comprehensive, customized network deployments for various clients; and (iii) equipment manufacturers. Network solutions providers have also worked with us to develop innovative networking solutions that will set the latest industry standards. In general, our wireless solutions comprise (i) Wi-Fi products designed for the free/unlicensed spectrum, which is particularly suitable for the connectivity needs of households and small businesses; and (ii) small cell products that can help build RANs operating in the licensed spectrum, used for tightly controlled activities such as cellular services, radio stations, and television broadcasts.

During the Track Record Period, we sold 2.0 million, 1.2 million, and 2.6 million products under our wireless solutions portfolio, with a sales revenue of RMB1,056.1 million, RMB718.5 million, and RMB1,052.4 million, respectively.

Wi-Fi products

Wi-Fi primarily operates in the unlicensed spectrum, which is free and open to the public. The unlicensed spectrum includes frequency bands such as 2.4 GHz, 5 GHz, and the recently opened 6 GHz band. The key advantage of using the unlicensed spectrum is that it allows for widespread and cost-effective deployment of Wi-Fi networks. However, because it is open to everyone, it can become crowded, leading to potential interference from other devices like Bluetooth gadgets, microwave ovens, and other Wi-Fi networks.

Our Wi-Fi product portfolio offers high-end enterprise-grade and carrier-grade Wi-Fi equipment for large-scale deployments, ensuring reliability, scalability, and security. We also offer intelligent home routers equipped with enhanced security protocols for a seamless home networking experience.

Among the numerous types of products in our portfolio, the following table sets forth the details of our Wi-Fi products with the most advanced technologies, and their characteristics, as of the Latest Practicable Date:

Product type	Product picture and name	Product features
Wi-Fi mesh	 *WF-80x*	Our portfolio of Wi-Fi mesh products covers Wi-Fi 6 and Wi-Fi 7 standards, each available in multiple configurations to meet different user needs. • Our Wi-Fi 6/6E mesh products feature dual/tri-band technology, allowing for the efficient use of various frequency bands to enhance performance and optimize coverage for mobile devices in indoor environments. • Our Wi-Fi 7 mesh products are designed to improve traffic management efficiency and increase data transmission capacity.

Product type	Product picture and name	Product features
Enterprise-grade Access Points ("**Enterprise AP**")	 *WF-19x*	Enterprise APs are advanced wireless networking devices designed to enhance Wi-Fi coverage within large and complex business environments, such as educational institutions, healthcare facilities, corporate office buildings, populated shopping centers, and communal areas of various venues. Our range of Enterprise AP products is available in Wi-Fi 6 and Wi-Fi 7 standards, each offering a variety of configurations to address the diverse requirements of different deployment scenarios.
10 gigabit router	 *WF-728*	Our 10 gigabit router is a high-performance networking device, designed to support data transfer rates of up to 10 gigabits per second. It focuses on optimizing network performance, enhancing system reliability, and ensuring uninterrupted connectivity. Primarily deployed in small-business environments and residential settings, our 10 gigabit router excels in high-speed, low-latency data transfer. It also allows small business owners to run AI applications, manage production factors, organize complex business data, and respond quickly to business demands. Additionally, this router is well-suited for smart home applications, capable of handling multiple IoT devices.

Small cell products

Small cell products typically operate on a licensed spectrum are part of an ecosystem distinct from Wi-Fi products. Unlike the free spectrum, the licensed spectrum is reserved for specific organizations that have obtained licenses from regulatory authorities. This spectrum is used for tightly controlled activities such as cellular services, radio stations, and television broadcasts. The primary benefit of using the licensed spectrum is that it offers a more reliable communication channel with reduced external interference. Since only the licensee can use the allocated frequencies, there is minimal risk of interference from other users.

Our small cell products also include RAN products, which are used in cellular and other wireless communication systems, including 4G LTE, 5G, and O-RAN. These products enhance the efficiency, speed, and reliability of wireless communication. Mobile operators may utilize our RAN radio products to address the challenges of coverage in residential areas or rural regions more effectively and efficiently. By providing small cell and RAN products, we enable our customers to achieve better network performance and coverage, ensuring that they can meet the demands of the users. This approach allows us to support a wide range of applications and use cases, from enhancing mobile network coverage to enabling advanced wireless communication technologies.

Among the numerous types of products in our portfolio, the following table sets forth the details of our small cell products with the most advanced technologies, and their characteristics, as of the Latest Practicable Date:

Product type	Product picture and name	Product features
All-in-one small cell	 *ASC-5xx*	The all-in-one small cell is a compact device that boosts mobile signal and internet speed in specific areas. It combines several components (e.g. radio, baseband, and backhaul) into one unit, making it easier to set up and manage. This product can connect to both 4G and 5G networks at the same time, which improves data speeds and ensures a reliable connection, even when many people are using their devices. In simple terms, it works like a mini cell tower that helps users stay connected with better signal and faster internet. Our all-in-one small cells are typically deployed in private networks or residential markets. They are used to improve connectivity, providing users with a stable, high-speed, and reliable wireless experience for business operations in private networks or everyday internet usage in residential areas.

Product type	Product picture and name	Product features
Open radio access network ("**O-RAN**") radio unit	 *SC-7xx*	The O-RAN radio products are designed to substantially improve the interoperability and flexibility of mobile networks, easing cross-vendor integration and adaptation within the intricate ecosystem of contemporary telecommunications. The range of our O-RAN radio products accommodates a broad spectrum of bandwidths from 10 to 100 MHz, supporting up to 4T4R configurations, and available with either integrated or external antennas. In addition, our O-RAN radio products are ideal for production facilities, where reliable communication and real-time data transfer are essential for efficient manufacturing. Logistic warehouses benefit from their capabilities, enabling effective inventory management and automated operations. Furthermore, in mineral fields with challenging terrains and hazardous conditions, the robustness of our O-RAN radio products ensures they can withstand demanding environments effectively.

OUR BUSINESS MODEL

We primarily operate our business under two models (namely, JDM and ODM) that aim to cater to the different needs of our customers. Our JDM model involves high customer involvement in providing detailed demands and specifications. Our customers will collaborate with us on new production information, prototypes, and testing to meet their standards. In contrast, our ODM model requires limited customer involvement in software and hardware development, where software and hardware development are typically handled by us. Our customers under the ODM model will most likely take our standard products or request limited customization or the design changes.

For further information on those two models, please refer to the section headed "Industry Overview — Business Model Analysis of Integrated Optical and Wireless Connectivity Devices Industry — JDM vs. ODM" in this Document.

Our JDM model

Our JDM model typically involves a collaborative approach to product design and development between the equipment supplier and the partner, with a strong emphasis on customization. This model focuses on joint efforts to create products that meet specific requirements and preferences. Once we secure a customer project, our dedicated research and development team works closely with the customer to design and develop the product. After the customer confirms the product design specifications, they place a purchase order, and we then procure the necessary materials and manufacture the product. According to F&S, the process of certifying a JDM manufacturer usually takes one to two years, placing high demands on the manufacturer in terms of financial and business positions.

The primary competitive advantage of JDM lies in its ability to provide high levels of customization, fast market adaptation, and innovation through joint technology development. This model allows for a tailored approach to product development, ensuring that the final product aligns closely with the client's vision and market demands. JDM is ideal for scenarios that require high customization, joint development, and quick adaptation to changing demands. It is suitable for clients who need unique products that stand out in the market and are willing to invest in a collaborative development process. Our JDM customers mainly comprise multinational digital communications technology conglomerates.

The following is a case study of a typical JDM project undertaken by us:

Case study: 800G OSFP DR8 photonics project with Customer X

Customer X is a global leader in high-performance routers, data center switches, and enterprise switches. We developed a customized 800G OSFP DR8 Photonics to integrate with their latest data center switches and routers for LLM and data center customers.

In a typical JDM project with Customer X, we start with a detailed, customized product specification to ensure compatibility with their system. Unlike an ODM project, both the customer and our Company form a project team to work closely together throughout the project.

During the product design process, we maintain regular communication with the customer's project team and receive feedback to keep the technical design and schedule on track. For example, when selecting key components like the DSP or laser, the customer's team provides valuable input based on their system design, helping us avoid compatibility issues early on. We also leverage each other's supply chain capabilities to secure prioritized supplies at competitive costs.

The customer gains early access to our engineering samples for verification, while we get early access to their system for our verification. We share test plans and results to reduce duplicate efforts and improve test coverage. This collaboration helps us identify and address potential interoperability issues early in the design phase.

Collaboration continues from the project's start through every step, especially during the NPI and pilot production runs. This dual focus on schedule and quantity allows us to optimize parts from trial runs for production process improvements, compliance and reliability assessments, and marketing initiatives. Both teams also start mass production planning early to ensure materials and equipment are ready for initial mass production runs, aligning with market demands.

A key challenge in our JDM model is meeting the criteria for each gate point from both the vendor and customer perspectives. We have developed expertise in synchronizing our development and quality processes with the customer's key project milestones. This sets a high industry standard, requiring technical skills, an inclusive culture, and strong project management capabilities.

Given the significant involvement required from the customer, this model poses challenges in terms of substantial investment of resources and expertise required. Only leading market players with strong technical skills and supply chain capabilities can effectively implement this model.

Our ODM model

On the other hand, our ODM model refers to one where the supplier designs and manufactures products based on the client's specifications. These products are typically standardized but offer potential for customization to meet the client's needs. Our ODM model offers cost savings, short development times, and the advantage of the supplier's production scale. This model is efficient in production and can quickly bring products to market, making it a cost-effective solution for clients. This model is ideal for clients who need standardized products with limited customization, allowing for fast production and delivery.

Under our ODM model, the business process begins with our internal design project, where we first complete the design and development, then market the fully developed off-the-shelf product to potential customers. In general, the customer is able to test a prototype of the developed product before placing a purchase order for us to begin procurement and production. Within our ODM model, we have also introduced our proprietary brand and designed, manufactured, and sold a number of our products under our own brand during the Track Record Period.

We maintain an open-minded and innovative approach to our business models. For instance, in certain advantageous regions and market segments, we are exploring the promotion of our own brands as an extension of our ODM model. Additionally, we have endeavored to empower our partners in North America through IP licensing arrangements, manufacturing support, technical assistance, and other potential methods.

The following is a case study of a typical ODM project undertaken by us:

Case study: XGS-PON ONT XG-99RG2 for Customer Y

Customer Y is a fiber access service provider in the United States. We have partnered with Customer F on many of their ONT solutions over the years and regularly collaborate to address their demands and network challenges.

Unlike JDM projects with detailed technical specifications, ODM projects with Customer Y typically start with innovative ideas based on common features or existing products. In this case, Customer Y wanted to embed an IoT interface to make the installation process smarter and reduce truck rolls. Leveraging our expertise in ONT and router design, we proposed a solution that addressed product appearance, optimal technology for interfacing with installer tablets, and methods to ensure data security. We provided a technical guide for Customer Y to develop their tablet application to access the IoT interface and enhance process efficiency. With our agreed-upon solutions and specifications, we shared a project plan outlining timelines for engineering samples and mass production readiness.

Over the following months, we and Customer Y worked independently. Customer Y focused on developing their application based on our interface instructions, while we concentrated on hardware design and firmware development using our in-house expertise. We periodically updated Customer Y to keep the project on track as they relied on us for product design.

Upon completing the design and preparing for pilot production, we sent samples to Customer Y for verification and integration. In the ODM model, Customer Y's verification focused primarily on their applications and user experience, while our internal checks ensured fundamental system verification.

Another distinction from the JDM model is that we plan pilot runs and ramp-up timelines based on our experience and predictions regarding Customer Y's plans. The integration between our product and Customer Y's tablet application proceeded smoothly, leading to a swift field trial. Due to our longstanding partnership, we managed the project pace efficiently, providing sufficient product quantities for their field trials, which resulted in a successful network launch. This project became one of the highest volume broadband products that we sold to Customer Y during the Track Record Period.

In the ODM model, we can balance design complexity and cost efficiency when proposing solutions based on high-level customer requirements. Many of our ODM projects involve limited changes or customization, allowing for quicker turnarounds compared to JDM projects. This approach benefits customers with smaller demands or limited resources and expertise.

RESEARCH AND DEVELOPMENT

We believe that R&D is fundamental to maintaining our competitiveness and sustaining our future growth. We have therefore placed a strong emphasis on establishing and maintaining advanced product planning and R&D capabilities. In the years ended December 31, 2022, 2023, and 2024, our R&D expenses were RMB270.4 million, RMB275.8 million, and RMB320.4 million, representing 7.1%, 8.9% and 8.8% of our total revenue respectively.

Our R&D efforts exemplify our global reach and strategic approach in acquiring top talent from all over the world. As of December 31, 2024, our R&D teams comprise a total of 630 employees, accounting for more than half of our total workforce, including 52 overseas R&D employees. We have established four R&D centers in China, and two R&D centers overseas, in regions well-known for their local talents, fostering a strong culture that supports the flourishing of expertise in our industry. These centers are strategically established to capture the best talents, bringing them together to work collaboratively as one cohesive R&D team. For instance, in Xi'an, our focus is primarily on algorithm-related work. The rich academic environment in the region provides a solid foundation for our research and development activities. Wuhan is a key location for our R&D efforts, focusing on optical technology, switch business, and high-speed current design. The presence of universities with the relevant expertise ensures a steady supply of talent. Additionally, Optics Valley in Wuhan is renowned for its abundant talent and resources. Our R&D teams in Shanghai are responsible for the R&D of various aspects of photonics, including thermal simulation, radio frequency simulation, functional and reliability testing, and failure analysis. Moreover, our R&D center in New Taipei City has traditionally been a hub for software and Wi-Fi-related R&D efforts. Our in-house manufacturing facility is also responsible for the R&D regarding mass-produced products (from prototype to customer certification and mass production) and production (including the improvement of machinery and equipment, the development and implementation of automation programs, and the tracking of production processes).

One of the key aspects of our R&D efforts overseas was the establishment our R&D center in Japan, where we have acquired strong R&D capabilities through mergers and acquisitions. Japan's rich experience in optical component design is highly valued, and the teams there are well-versed in photonics technology accumulation and product-related work. Our R&D efforts overseas also comprised our R&D center in the United States, driven by our business development needs in North America. Our office in the United States is strategically located in Silicon Valley, an innovation hub known for its abundant top-tier talent resources. In addition, some of our R&D staff will occasionally visit our manufacturing site in Malaysia and conduct R&D projects that can help us to improve our manufacturing capabilities. We believe that the teams' familiarity and understanding of the industry's advantages has contributed to our R&D success.

The collaborative nature of our R&D efforts is a cornerstone of our success. Our R&D centers are not siloed; instead, they operate in a highly integrated manner. Researchers and developers from different centers regularly engage in cross-functional teams, sharing insights and expertise. This collaborative approach allows us to leverage the unique strengths of each center, whether it be algorithm development in Xi'an, optical technology in Wuhan, software and Wi-Fi expertise in New Taipei city, or photonics design in the United States or Japan. To do so, we have established robust communication channels and collaborative platforms that facilitate real-time information sharing and joint problem-solving. A leading R&D center spearheads these efforts, ensuring that our projects are executed efficiently and effectively. This global collaboration not only enhances our innovation capabilities but also accelerates the development and deployment of innovative technologies.

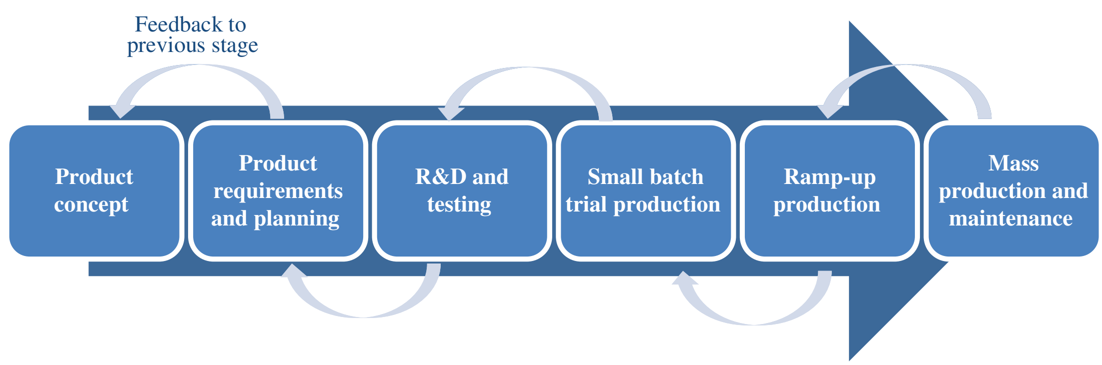
Throughout the R&D process, we maintain close communication with customers, ensuring that their needs are well addressed. This collaboration extends to the marketing process, where R&D-related communication plays a crucial role. Our R&D teams support sales from the early stages of the business, ensuring a seamless integration of research and development with market demands. This is also one of the reasons for establishing our R&D centers in geographical proximity to our key markets.

By fostering a culture of collaboration and continuous learning, we ensure that our R&D teams are well-equipped to tackle the challenges of our industry and drive our growth and success. Our research and development efforts have produced notable technical achievements and have a track record of developing intellectual property and industry knowledge that can be applied to products. Please refer to the subsections headed "— Intellectual property" and "— Our technologies" in this section.

Product design and development process

Our product design and development process begins with analyzing customer needs and the competitive landscape to locate opportunities. Our R&D team then designs and tests the product, working with other departments. We perform small-scale manufacturing and sample testing, update the design, and move to trial production. Finally, we optimize for quality and efficiency before mass production, achieving high design efficiency and utilization. Although our R&D projects and product design and development vary due to different specifications and customer demands, resulting in differing timeframes for completion, the average timeframe for most of our R&D projects (from conception to completion) would normally last six months.

The chart below summarizes the key steps of our product development process:



Product concept

Our product development process begins with the decision of our business unit management on initiation of a project. Before making such a decision, we identify product requirements or opportunities from customers and the market, determine a product framework and concept, and then conduct a final evaluation.

Product requirements and planning

After the product concept stage, the project is officially launched with a kick-off meeting, bringing together all stakeholders to align on objectives and expectations. It begins with the definition of product specifications and the establishment of the project team. This phase is crucial as it sets the foundation for the entire project. Project schedules, quality plans, and resource budgets are meticulously developed to ensure a structured approach. Additionally, initial risks are identified, and corresponding risk mitigation measures and contingency plans are formulated to address potential challenges. While our JDM customers engage in each and every stage of our product design and development process, this is one of the few stages where our ODM customers are also involved. Their participation ensures that the product requirements align with their specific needs and expectations.

During this stage, detailed documentation of product requirements is created and reviewed to ensure clarity and completeness. The high-level architecture of the product is designed, outlining the overall structure and key components. Resources and budgets are allocated to ensure that the project has the necessary support and funding. A comprehensive project plan is developed, detailing the timeline, milestones, and deliverables. Potential risks are identified as well, and mitigating strategies are established.

R&D and testing

During this stage, product design, development, integration, and testing are conducted to ensure the product meets the required specifications. This phase is critical as it involves the release of early designs, which allows prototype production to commence. Necessary inputs for NPI and sample trial production are provided to ensure the readiness of R&D trial production (i.e., the starting point of the design for manufacturing), and to ensure that a high yield rate can be achieved later on. The stage is concluded with the production of a prototype for testing.

This stage involves several key activities. Hardware design and review are conducted to ensure the product's electronic components meet the required standards. Mechanical design and review focus on the physical aspects of the product, ensuring it is robust and functional. Thermal design and simulation are performed to ensure the product can operate efficiently under various temperature conditions.

The bill of materials ("**BOM**") is released, detailing all the components required for the product. Prototype builds are initiated, allowing for the creation of initial models for testing. Engineering validation testing and design validation testing are conducted to verify the product's performance and design integrity. Customer sampling is carried out to gather feedback and ensure the product meets customer expectations. Automated test equipment development is undertaken to create testing systems that ensure the product's quality and functionality. Design for manufacturing reviews are conducted to ensure the product can be manufactured efficiently and cost-effectively.

Firmware development is also a key part of this stage, involving the creation of low-level control programs that manage the hardware components. This process includes writing code in low-level programming languages, testing the firmware on the hardware, and debugging to ensure optimal performance. Firmware updates are also planned to enhance functionality and security. The integration of firmware ensures that the hardware operates as intended and interfaces seamlessly with other software components, providing a stable foundation for the product's overall performance.

A trial run is conducted to test the manufacturing processes and ensure they are ready for full-scale production. Process qualification is performed to validate the manufacturing processes and ensure they meet the required standards. Preliminary qualification is the final step, ensuring the product is ready for mass production and meets all necessary requirements. This structured approach ensures that the product is thoroughly tested and validated, setting the stage for successful mass production and market introduction.

Small batch trial production

Upon the completion of product development and testing, the product is ready for small batch trial production. The purpose of this stage is to verify the manufacturability of the design, production process, and testing procedures. Official process documents and standard operating procedures are also released. While our JDM customers engage in each stage of this product design and development process, this is one of the few stages where our ODM customers are also involved.

During this stage, full traceability is set up to ensure that every aspect of the production process can be tracked and monitored. Process and manufacturing standardization are implemented to ensure consistency and quality across all production runs. A pilot run is conducted to test the production process and identify any potential issues. Full qualification is performed to validate the product and ensure it meets all necessary standards and requirements.

Yield and statistical process control benchmarks are established to monitor and improve production efficiency and quality. Certifications are obtained to ensure the product complies with industry standards and regulations. A customer audit is conducted to verify that the product meets customer expectations and requirements. Variants and customizations are developed to cater to specific customer needs and preferences. Finally, ongoing reliability testing ("**ORT**") and ongoing reliability monitoring ("**ORM**") are set up to ensure the product's long-term reliability and performance.

Ramp-up production

During this stage, ramp-up production of the new product is conducted to optimize production efficiency and yield. The primary goal is to ensure the capability for mass production and supply chain assurance. This phase is critical as it transitions the product from small batch production to full-scale manufacturing. The process begins with capacity planning and ramp-up, where production capabilities are scaled to meet anticipated demand. This involves careful planning and coordination to ensure that all necessary resources are in place. The product is then transferred to the operation phase, where it enters regular production cycles. ORT and ORM are implemented to continuously assess and ensure the product's reliability and performance. These measures help identify and address any potential issues early in the production process. Setting up return material authorization ("**RMA**") capability is another crucial aspect of this stage. This ensures that any defective products can be efficiently returned, repaired, or replaced, maintaining customer satisfaction and product quality. Yield improvement efforts are undertaken to enhance production efficiency and reduce defects. This involves analyzing production data, identifying areas for improvement, and implementing changes to optimize the manufacturing process.

By the end of this stage, the product is fully integrated into the mass production process, with all necessary measures in place to ensure consistent quality and supply chain reliability.

Mass production and maintenance

In this stage, mass production of the product is conducted, and software and hardware maintenance and technical support are provided.

OUR TECHNOLOGIES

Technology lies at the core of our product development and our success achieved to date, which comprise (i) technologies used in our products; (ii) technologies used in our intelligent manufacturing processes; and (iii) our IT infrastructure.

Technologies used in our products

The key technologies that we have adopted in our product development include, but are not limited to, the following:

- ***Silicon photonics based module technology:*** We were among the first in the industry to develop silicon photonics based module technology, which enables data transmission using photons instead of traditional electrical signals, offering higher speeds and lower power consumption. This technology is designed to offer high-speed optical connections in data centers and telecommunication networks.

- ***LPO:*** Power consumption is a critical concern in high-speed photonics, with approximately 50% of the power usage attributed to DSP functions. We have developed proprietary LPO technology by eliminating the DSP function from our pluggable photonics. This innovation allows our photonics to achieve electrical signal interconnection through a DSP interface embedded in the switch chip, significantly reducing the cost and power consumption of photonic devices.

- ***CPO:*** We are currently in the process of developing our packaged laser and silicon photonics engine (i.e., ELS, external light source) for CPO technology which can offer substantial cost reductions while delivering exceptional performance. Such technology can integrate the network and photonic engine into a single slot, drastically reducing the distance between the switch chip and the photonic engine. This proximity enables faster electrical signal transmission, making such technology ideal for AI training and applications.

- ***High-Speed broadband technologies:*** We were among the first to achieve mass production of 25GPON worldwide and we are among the pioneers in the industry to be developing 50GPON. Our latest advancement, the 25GPON technology, is available in various configurations, including a 25 Gb/s symmetrical connection, a 50 Gb/s downstream and 25 Gb/s upstream asymmetrical connection, and a 50 Gb/s symmetrical connection.

- ***Energy Efficiency in Wi-Fi products:*** Through our dedicated R&D efforts, we have successfully reduced the energy consumption per unit throughput of network operations. The average power consumption per unit throughput of our Wi-Fi access points has been lowered from 5.4 watts per gigabit to 3.6 watts per gigabit, achieving a 50% energy savings. Our Wi-Fi cloud controller accurately detects usage changes, directs devices to the same frequency band, and shuts down idle channels to prevent unnecessary energy consumption. Field tests on a European customer's network showed that 84% of areas were in an efficient energy-saving state for at least 6 hours daily, and 21% of areas for 12 hours daily. This helps small and medium-sized enterprises reduce costs, increase efficiency, and move towards smarter, more efficient, and greener development.

Technologies used in our intelligent manufacturing processes

Our intelligent manufacturing spans the entire production process, leveraging advanced equipment, technology, and management systems to achieve efficient, precise, and intelligent production, thereby enhancing our competitiveness.

Our in-house and co-location manufacturing facilities are equipped with automated equipment. Our in-house facility in Shanghai features nine Surface mount technology ("**SMT**") lines and six Dual in-line package ("**DIP**") lines and is equipped with SPI and automatic optical inspection ("**AOI**") automatic inspection equipment. The SMT lines use high-speed placement machines from renowned brand, known for their speed and accuracy. Moreover, our facilities are equipped with automated robotic arms, which are able to imitate the movement of human arms in executing a wide variety of tasks. We believe these automated technologies promote efficiency and precision in our manufacturing process and enhance consistency in the quality of our products. In addition, the use of automated technologies can enhance workplace safety and reduce labor costs by reducing human involvement in the manufacturing process.

We have introduced multiple information technology systems, including product lifecycle management ("**PLM**"), cyber-physical system ("**CPS**"), supplier synergism management ("**SSM**"), enterprise resource planning ("**ERP**"), manufacturing execution system ("**MES**"), and warehouse management system ("**WMS**") to achieve closed-loop management covering R&D, procurement, production, and sales to after-sales service, greatly enhancing operation efficiency. For further details of our information technology systems, please refer to below.

We use technologies such as optical recognition, AOI, and X-Ray inspection for quality control to improve inspection accuracy and efficiency. The utilization of radio frequency identification ("**RFID**") applications and the manufacturing traceability system enables full-system traceability of products from raw material procurement and production processing to product sales, facilitating quality control and problem detection. In addition, we have applied industrial information technologies such as augmented reality and simulated reality in the virtual verification to identify issues early, and augmented reality technology assists workers in equipment operation and maintenance, improving work efficiency and accuracy.

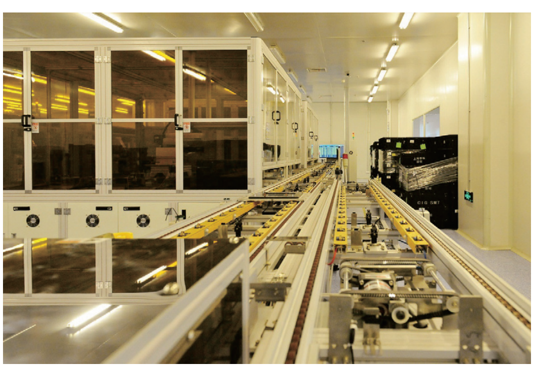
Set forth below are selective views of our manufacturing facilities:

Photonics production line

Robotic assembly line

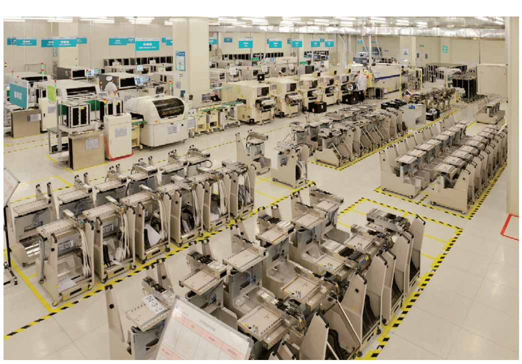
Control panel detailing aspects of our production

Robotic arms used in production lines



Production line

Production line



Production line

Automated transport cars used in the production line

Our IT infrastructure

We believe that high levels of automation, digitalization, and technology are essential for maintaining our competitive position and supporting our strategic objectives. We utilize and maintain IT systems that evolve in tandem with our business growth, ensuring they meet our varied operational demands. These systems underpin key areas such as sales, R&D, supply chain management, production, and after-sales services. Our main information technology systems include the following:

- ***PLM system:*** Our product lifecycle management system, or PLM system, manages product information flow, BOM, documents, and R&D processes. We use the PLM system to provide a comprehensive and unified R&D collaborative management platform for R&D design, processing plans, and technical documentation. Through the PLM system, we have built and maintained a standardized and well-regulated product database to promote the efficiency of our product customization process, and achieve the integration of information technology, product R&D technology, and management technology.

- ***ERP system:*** Our enterprise resource planning system, or ERP system, handles finance, warehouse management, and supply chain management to regulate our operations, inventory control, procurement, production, and sales management. Timely access to inventory and sales data allows our management to monitor our sales performance and make appropriate adjustments in response to market conditions. It also facilitates our procurement, marketing strategies, and decision-making process.

- ***MES:*** We utilize the manufacturing execution system, or MES, to support our production process, including managing resource allocation, scheduling production plans, and real-time monitoring of the production process. The MES system is connected with our production equipment and records and transmits information from our production lines, including production volume and time used, to our ERP system, achieving digitalized production management, which improves the management level of our production lines and production efficiency.

- ***CPS:*** Our cyber-physical system, or CPS, connects programmable logic controllers ("**PLC**"), automated guided vehicles ("**AGV**"), robots, and other intelligent devices with IT systems, providing communication interfaces to support point control and configuration monitoring. With CPS, we are able to introduce, collaborate, and synergize the digitized information of each aspect in the whole process, conduct analysis through massive data simulation based on project experience, realize real-time monitoring, and achieve flexible manufacturing and customized production driven by digitized data generated based on various demands of clients.

- ***SSM system:*** Our supplier synergism management system, or SSM system, is a horizontal integration platform for the supply chain, which digitizes the procurement process and manages supplier inventory and pre-receipt management. We utilize the SSM system to support business transactions and communications between us and our suppliers.

- ***WMS:*** Our warehouse management system uses RFID and 2D barcode technologies for material and product location management, material traceability, and error prevention. We utilize the WMS to manage, control, and monitor our warehouse operations. We also integrate the WMS with other systems, such as the ERP system to streamline information flow and increase productivity.

We plan to strengthen our information technology systems to keep up with the growth of our business. We believe such improved systems will strengthen supply chain managements as well as improve our ability to develop products that meet the demands and preferences of our customers.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure or downtime that had a material adverse effect on our business operations.

Cybersecurity measures

We use a multi-layered strategy to safeguard our systems and data. As of the Latest Practicable Date, we have received the ISO: 27001 Information Security Management System certification, indicating the strength of our systems. By combining the following technical measures with a culture of security awareness, we believe that we can maintain a robust and resilient IT infrastructure that safeguards our business operations:

- *Strong access controls and authentication:* We implement access controls and authentication mechanisms to allow only authorized personnel to access sensitive systems and data. We also use role-based access control to limit access based on the user's role within the organization. This minimizes the risk of unauthorized access and ensures that employees only have access to the information necessary for their job functions. Regular audits and reviews of access permissions help maintain the integrity of our access control policies.

- *Regular updates and patches:* Keeping our software and hardware up to date is crucial. We apply updates and patches to protect against known vulnerabilities. This initiative-taking approach helps us mitigate the risk of cyberattacks that exploit outdated software. We have a dedicated team that monitors for recent updates and patches from vendors, and ensures they are applied promptly. Additionally, we test updates in a controlled environment before deployment to try to ensure they do not disrupt our operations.

- *Network monitoring and auditing:* Continuous monitoring and auditing of network activities help us detect and respond to suspicious activities promptly. We use monitoring tools to track network traffic and identify anomalies that may indicate a security threat. Real-time alerts enable our security team to take timely action when potential issues are detected. Regular audits of network logs provide insights into past activities and help us identify patterns that could signify a breach. This comprehensive approach we believe helps us quickly address any security incidents and minimize their impact.

- *Data encryption:* We encrypt sensitive data both in transit and at rest to prevent them from any unauthorized access. Encryption converts data into a coded format that can only be deciphered with the correct decryption key. This ensures that even if the data is intercepted or accessed without authorization, it remains unreadable. We use industry-standard protocols to secure our data. Additionally, we implement encryption for all communication channels (including emails and file transfers), to safeguard during transmission and regularly review our encryption practices to manage evolving threats.

- *Firewalls and intrusion detection systems:* Implementing firewalls and intrusion detection systems helps us prevent and detect unauthorized access attempts. Firewalls function as a barrier between our internal network and external threats, filtering incoming and outgoing traffic based on predefined security rules. These systems monitor network traffic for suspicious activities and generate alerts when potential threats are detected. Regular updates to our firewall rules and intrusion detection system signatures allow them to remain effective against new and emerging threats.

- *Employee training:* We hold regular security awareness training for our employees so that they are knowledgeable about the latest security threats and best practices. Training programs cover topics such as phishing, password management, and safe internet usage. By educating employees on how to recognize and respond to security threats, we hope to reduce the risk of human error, which is often a significant factor in security breaches. We also conduct simulated phishing exercises to test employees' awareness and reinforce training. Continuous education and reinforcement help create a security-conscious culture within our organization.

- *Backup and disaster recovery:* We perform regular data backups and test our disaster recovery plans with respect to business continuity in case of a security incident. Backups are stored in secure, offsite locations to protect against data loss due to hardware failure, cyberattacks, or natural disasters. Our disaster recovery plans outline the steps to restore operations quickly and efficiently following an incident. We regularly test the effectiveness of these plans and prepare our team for any incident. We believe our comprehensive approach helps minimize downtime and data loss in the event we face a security breach.

MANUFACTURING

Our manufacturing capabilities comprise utilizing our in-house facility in China, and the engagement of co-location partners in both China and overseas.

Our co-location manufacturing model

We primarily adopt the co-location model for manufacturing our products, which is an asset-light business model commonly used by manufacturers, and is also widely accepted by customers, in the industry in which we operate. Unlike the conventional model of engaging OEM for manufacturing capacity, our co-location model involves a more integrated approach, where we are responsible for product design, key materials, key machinery, process, and management, while a local partner handles the manufacturing facilities, labor, and local regulations. This setup allows us to have direct involvement and greater quality control in the production process on a global scale, and to ensure that the production processes and systems are the same across all co-location partners and our in-house facilities. The co-location model also offers significant flexibility, enabling us to quickly adjust production or relocate by engaging partners in other countries based on strategic decisions and the latest market demand. Furthermore, real-time monitoring under our co-location model enhances supply chain responsiveness and allows for quick adjustments to production scale and processes based on market needs. Moreover, the co-location model enables lower upfront investment in local facilities while maintaining global production consistency. Additionally, we benefit from our local partners' manufacturing facilities and experience in providing manufacturing services for other industry peers, and we can utilize their logistics network to deliver products quickly to customers in the vicinity. For further information on the benefits in adopting such co-location manufacturing model, please refer to the section headed "Industry Overview — Business model analysis of integrated optical and wireless connectivity devices industry — Contract manufacturing ("**CM**") vs. Co-location manufacturing" in this Document.

The following table summarizes the key features of our co-location model:

Design and intellectual property:	We are responsible for the design and development of products. We will also retain all the intellectual property rights related to the manufacturing and testing processes, establishing a technical moat against competitors.
Production, personnel, and facilities:	Our local partner will be responsible for manufacturing and assembling our products in strict compliance with our established procedures and protocols. They will provide the necessary labor, at our request and specifications, and manage the workforce at the facilities. They will also manage their own facilities, ensuring compliance with local laws and regulations. We will also send personnel to work with our co-location partners in managing such facilities.

Supervision and quality control: We have a proprietary system for tracking and monitoring every stage of the manufacturing process, ensuring real-time updates and analysis. We supervise the manufacturing process by assigning project managers, technical, and quality engineers to regularly station at our local partners' facilities to ensure the quality and standard of our products.

Procurement of raw materials: We would provide the core materials required for production, ensuring consistency and quality, or we would make specific requests on the type and cost of materials to be procured and managed by the local partner.

Technology: We will supply specific equipment needed for production; to be installed at the co-location partners' facilities. This will also include dedicated machinery for testing and validation. We can also utilize the existing technology infrastructure in our local partners' facilities.

As of the Latest Practicable Date, we had entered into agreements, which reflects the aforementioned features, with three co-location partners in China, and three overseas, namely in Malaysia, the United States, and Europe. Our Directors confirmed that all of such co-location partners were Independent Third Parties as of the Latest Practicable Date.

The following table provides a summary of our production volume, planned production capacity, and utilization regarding our co-location partners as of and for the dates indicated:

				As of/for the year ended December 31,								
				2022			2023			2024		
Co-location partner	Year of commencement of relationship	Production lines	GFA(2)	Planned production capacity(3)	Actual production volume	Utilization rate(4)	Planned production capacity(3)	Actual production capacity	Utilization rate(4)	Planned production capacity(3)	Actual production volume	Utilization rate(4)
			(Sq.m.)	*(Units)*	*(Units)*	*(%)*	*(Units)*	*(Units)*	*(%)*	*(Units)*	*(Units)*	*(%)*
Co-location Partner A, with facilities based in Wuhan, China	2018	Broadband, Wireless	9,000	5,469,421	4,794,518	87.7	3,929,612	3,439,121	87.5	3,485,395	3,029,128	86.9
Co-location Partner B with facilities based in Xi'an, China	2018	Broadband, Wireless	7,000	4,442,170	3,902,176	87.8	3,637,026	3,018,371	83.0	3,759,186	3,344,348	89.0
Co-location Partner C, with facilities based in Nantong China	2022(1)	Broadband, Wireless	4,000	–	–	–	471,981	413,338	87.6	2,498,720	2,237,271	89.5
Co-location Partner D, with facilities based in Malaysia	2018	Photonics, Broadband, Wireless	18,000	1,203,424	1,084,589	90.1	1,440,288	1,279,725	88.9	2,267,836	1,885,825	83.2
Co-location Partner E, with facilities based in Europe	2024	Broadband, Wireless	2,000	–	–	–	–	–	–	112,860	3,255	2.9(5)
Co-location Partner F, with facilities based in the United States(6)	2025	Broadband	300	–	–	–	–	–	–	–	–	–

Notes:

1. Our engagement with this co-location partner commenced in late December 2022, with production commencing in the subsequent year.

2. As of the Latest Practicable Date. Such GFA is calculated based on the floor space allocated to us, which is in-line with the production capacity and production lines allocated to us based on our agreed terms with the co-location partners. For such reasons, this GFA may fluctuate from time to time.

3. Refers to the maximum output or production capability, that had been allocated to us upon negotiation, operating ideal conditions where the facilities operate with no major breakdowns or bottlenecks. Such capacity of our co-location partners may change from time to time, as we would adjust the production lines required based on commercial needs, production planning and our agreements with such co-location partners.

4. Utilization rate is calculated by dividing actual production volume by planned production capacity for the relevant year.

5. As we had only commenced production at this site in October 2024, the relatively low utilization and production volume were attributable to the time and resources required to establish and ramp-up the manufacturing capabilities at such an early stage.

6. Production lines in this facility was yet to be operational during the Track Record Period.

Owing to its an asset-light and flexible characteristics, our co-location model allows us to adjust our production capacity and volume based on the orders we receive, without the need for heavy investments in machinery and facilities that may later become underutilized if market demand declines. This also allows us to respond to international trading uncertainties and geopolitical challenges by rapidly adjusting the capacity among the co-location facilities. This co-location model enables us to communicate our production needs to our co-location partners, who can then make the necessary adjustments. For such reasons, the GFA and the planned production capacity of our co-location partners, as indicated in the table above, will be adjusted from time to time, based on considerations regarding (i) the upcoming market demand for certain types of products; (ii) the availability of certain production lines, and the corresponding design production capacity of such lines, at our co-location partner's sites; and (iii) strategic decisions in allocating our manufacturing capabilities across different co-location partners and our in-house facilities. The such adjustments and allocation will be planned and negotiated with our co-location partners ahead of time.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulties regarding our co-location partner unwilling or unable to commit to the GFA, planned production capacity, or production lines allocation, resulting in material adverse impact on our production and results of operations. We are also open to engaging other co-location partners that are capable and willing to work with us under this model and align with our global strategy.

In-house facilities

Our in-house manufacturing facilities are essential to our production capabilities. We conduct pilot runs in-house to optimize processes before replicating them at co-location sites. Additionally, we maintain some production in-house as a benchmark and backup for co-location operations. By doing so, we can ensure that we will have complete control over the entire production for some of our products, allowing us to maintain even more stringent quality standards and ensure that every aspect of production meets our needed specifications. In contrast to the co-location model, an in-house factory provides direct oversight of every production stage, leading to higher product quality and consistency. We also believe that having some production capabilities in-house fosters innovation and continuous improvement, as we can experiment with new technologies, processes, and materials without an over reliance on external parties, encouraging a culture of innovation and collaboration.

The following pictures illustrate our in-house facilities as of the Latest Practicable Date:

Shanghai No. 1: Our in-house facility in Shanghai, which has been in operation since 2014.

Shanghai No. 2: Our new in-house facility, in Jiashan, near Shanghai, which will be in operation later in 2025.

The following table provides a summary of our production volume, designed production capacity, and utilization regarding our in-house facilities as of and for the dates indicated:

				As of/For the year ended December 31,								
				2022			2023			2024		
Facility	Production commencement	Production lines	GFA[1]	Designed production capacity[2]	Actual production volume	Utilization rate[3]	Designed production capacity[2]	Actual production volume	Utilization rate[3]	Designed production capacity[2]	Actual production volume	Utilization rate[3]
	(Year)		*(Sq.m.)*	*(Units)*	*(Units)*	*(%)*	*(Units)*	*(Units)*	*(%)*	*(Units)*	*(Units)*	*(%)*
Shanghai No. 1.	2014	Photonics, Broadband, Wireless	33,000	4,929,480	4,373,236	88.7	1,669,658	1,520,143	91.0	2,640,747	2,216,864	83.9
Shanghai No. 2[4]	2025	Photonics, Broadband, and Wireless	100,000	–	–	–	–	–	–	–	–	–

Notes:

1. As of the Latest Practicable Date.

2. Refers to the maximum output or production capability under ideal conditions where the facilities operate with no major breakdowns or bottlenecks.

3. Utilization rate is calculated by dividing actual production volume by designed production capacity for the relevant year.

4. Such facility was not operational during the Track Record Period.

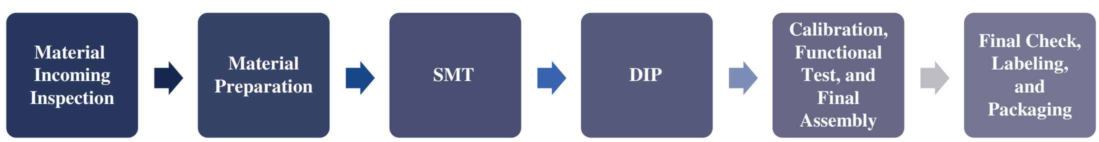
During the Track Record Period, our in-house facility in Shanghai, reached an actual production volume of 4.4 million units, 1.5 million units and 2.2 million units, with a design production capacity of 4.9 million, 1.7 million, and 2.6 million units, at a utilization rate or 88.7%, 91.0%, and 83.9%, respectively. The reasons for the decrease in such figures in the year ended December 31, 2023 were twofold: (i) machinery upgrades and repairs; and (ii) reallocation of resources to target overseas markets.

Our production process

Our production process is designed to promote high standards of quality while being able to rapidly ramp up production to satisfy customers' needs. We generally manufacture products only after receiving a purchase order from the customer and after procuring all the raw materials, components, and parts required for the purchase order. We conduct all of the production processes internally at our in-house facilities or co-location sites and do not outsource any work.

During our production process, we use our ERP system to handle finance, warehouse management, and supply chain management, while our MES connects our information systems, manages resource allocation, job scheduling, and production process monitoring, ensuring efficient coordination across all stages.

The following chart illustrates the principal steps in the production of our products:



- ***Material incoming inspection:*** The production process begins with the inspection of incoming materials to ensure they meet quality standards. This involves checking for surface roughness, dimensions, and board thickness. Additionally, general electrical inspections tests are conducted to ensure the materials are free from defects and safe for further processing.

- ***Material preparation:*** Once the materials pass the initial inspection, they are prepared for the production process. Solder paste is applied to the printed circuit board ("**PCB**") using a stencil, ensuring precise application to prevent issues later on. The application of solder paste is inspected to confirm its accuracy. Information or markings are then printed on the PCB using an inkjet printer, providing necessary identification and traceability, and ICs are programmed with the necessary firmware or software.

- ***SMT:*** In this stage, surface mount components are placed directly onto the surface of the PCB. This method allows for smaller, more efficient circuit designs and high-speed automated assembly. The board is inspected before reflow soldering to check for any placement errors. The PCB is then heated to melt the solder paste, creating secure connections. 3D AOI is performed on a sample of PCBs to check for hidden soldering defects.

- ***DIP:*** Components with DIPs are inserted into the PCB during this stage. The board is passed over a wave of molten solder to solder the components securely.

- ***Calibration, functional test, and final assembly:*** The assembled PCBs undergo various calibrations, inspections and tests to ensure they meet quality standards. The optical and/or Wi-Fi functionality of the PCB is calibrated, and the board is tested under thermal conditions to ensure it can withstand temperature variations. Functional testing is performed to verify the PCB's operation, including signal processing, communication interfaces, and sensor calibration. Any necessary manual adjustments or repairs are made, and the assembled PCB is stored.

- ***Final check, labeling, and packaging:*** In the final stage, the product is assembled, labeled, and prepared for shipping. Labels are applied to the cartons and pallets, and the products are stored and retrieved for shipping. A final audit is conducted on a batch of products before shipping to ensure they meet the specified quality standards. The products are packed and tested one last time, and a final functional test is conducted to ensure the product is ready for use. This stage ensures that the final product is of high quality and ready for delivery to customers.

Maintenance

We carry out inspections and maintenance at our in-house facilities or at co-location sites for our machinery and equipment on a periodic basis. We have developed and periodically updated internal repair and maintenance protocols at these locations according to the characteristics and requirements of the particular equipment and machinery to ensure that production lines perform at optimal levels. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspension of operations due to failures of our machinery or equipment at these locations that resulted in material adverse impacts on our results of operations or financial condition.

Quality control

Product quality is a key driver of our business success, and we aim to always provide reliable products to customers while adhering to the relevant laws, regulations, and industry standards. To achieve this, we have implemented a detailed product quality management system. This system, which is led by our general managers as the key responsible persons, includes creating a three-year annual quality plan, forming quality policies and objectives, and establishing policies on key topics such as quality control, corrective and preventive management procedures, and product recall management. A specialized quality control department is responsible in overseeing the entire product quality control process and handles quality-related issues such as customer complaints, supplier deliveries, routine and unexpected quality issues, defective items, and quality incidents. This quality control process covers the entire product lifecycle, from raw materials procurement, production, sales, and marketing to aftersales services.

The following are the key aspects of such quality control process:

- ***Monitoring our products:*** We identify potential quality risks at various stages of the product lifecycle and establish plans to address these situations. Periodic evaluations are conducted to classify and assess these risks. Regular first article inspection ("**FAI**") of products is performed, with products selected at random, and formal rules and guidelines are established to ensure consistent quality monitoring.

- ***Traceability:*** Appropriate methods for labeling products are implemented to ensure quality traceability and prevent mix-ups or misuse. Batch numbers and serial numbers are used to trace products, including those with design changes. Operations for labeling and traceability are executed according to our product identification and traceability management procedures. We have adopted specific traceability systems for different phases of our product cycle, covering R&D, manufacturing, sales, and post-sales. This enables us to accurately identify the affected units for any potential quality risks related to the manufacturing process and to promptly implement measures to mitigate any degradation of services delivered to customers and end users.

- ***Production defects prevention:*** Throughout procurement, storage, processing, and delivery stages, protective measures are taken to ensure product compliance. This includes labeling, handling, packaging, storage, and protection. Verification of packaging and labeling is governed by the product packaging operation standard operating procedures ("**SOP**"), utilizing barcodes, and packing list management systems to ensure that products and accessories are packaged and labeled according to the SOP. Additionally, preventative methods are implemented by software development and IT departments for the detection, prevention, and removal of software defects on deliverable products.

We believe that these measures, benchmarked against best-practices in the industry, will help ensure the quality of our solutions and products while controlling costs and maintaining our profitability. As of the Latest Practicable Date, we have obtained the ISO: 9001 Quality Management System Certification in relation to our manufacturing processes, and the TL: 9000 Quality System Certification specifically for the telecommunications industry. During the Track Record Period and up to the Latest Practicable Date, we did not experience any product defects or recalls that resulted in material adverse impacts on our results of operations or financial condition.

CUSTOMERS, SALES, AND COMPETITION

During the Track Record Period, our major customers comprise mostly information and communication technology manufacturers. For the years ended December 31, 2022, 2023, and 2024, our revenue generated from the five largest customs during the Track Record Period amounted to RMB2,398.5 million, RMB2,122.7 million, and RMB2,737.6 million, representing 63.5%, 68.8%, and 74.9% of our total revenue, respectively.

Our major customers

The following table sets forth details of our five largest customers during the year ended December 31, 2022:

Customer	Revenue	Percentage of total revenue of our Group	Year of commencement of business relationship	Type(s) of solutions provided by us	Credit period granted by us	Payment method
	RMB'000	*%*				
Customer A(1)	1,269,705	33.6	14	Broadband and wireless solutions	90 days	Telegraphic transfer
Customer B(2)	471,107	12.5	8	Broadband and wireless solutions	60 days	Telegraphic transfer
Customer C(3)	344,155	9.1	14	Photonics, broadband, and wireless solutions	60 days	Telegraphic transfer
Customer D(4)	174,021	4.6	14	Photonics and broadband solutions, and others	30 days	Telegraphic transfer
Customer E(5)	139,510	3.7	8	Wireless solutions	45 days	Telegraphic transfer
Total	**2,398,498**	**63.5**				

Notes:

1. Customer A is a multinational data networking and telecommunications equipment company headquartered in Finland.

2. Customer B is a telecommunications company providing broadband internet, digital television, and computer technical support to residential and business customers in the United States.

3. Customer C is a company specializing in the design, production, and sales of electronic products and integrated circuit products, headquartered in China.

4. Customer D is a global provider of information and communications technology infrastructure and smart devices, headquartered in China.

5. Customer E is a company specializing in small cell technology, based in South Korea.

The following table sets forth details of our five largest customers during the year ended December 31, 2023:

Customer	Revenue	Percentage of total revenue of our Group	Year of commencement of business relationship	Type(s) of solutions provided by us	Credit period granted by us	Payment method
	RMB'000	%				
Customer A	1,114,738	36.1	14	Broadband and wireless solutions	90 days	Telegraphic transfer
Customer B	630,150	20.4	8	Broadband and wireless solutions	60 days	Telegraphic transfer
Customer F[(1)]	141,359	4.6	8	Photonics, broadband and wireless solutions	45 days	Telegraphic transfer
Customer E	129,215	4.2	8	Wireless solutions	45 days	Telegraphic transfer
Customer G[(2)]	107,192	3.5	6	Wireless solutions	45 days	Telegraphic transfer
Total	**2,122,654**	**68.8**				

Notes:

1. Customer F is a fiber broadband internet service based in the United States.

2. Customer G is a company that provides consulting, application development, infrastructure/network development, security, and outsourcing services, based in United States.

The following table sets forth details of our five largest customers during the year ended December 31, 2024:

Customer	Revenue	Percentage of total revenue of our Group	Year of commencement of business relationship	Type(s) of solutions provided by us	Credit period granted by us	Payment method
	RMB'000	%				
Customer A	1,525,833	41.8	14	Broadband and wireless solutions	90 days	Telegraphic transfer
Customer F	471,561	12.9	8	Photonics, broadband, and wireless solutions	45 days	Telegraphic transfer
Customer B	318,520	8.7	8	Broadband and wireless solutions	60 days	Telegraphic transfer
Customer H[(1)]	249,852	6.8	1	Broadband and wireless solutions	90 days	Telegraphic transfer
Customer G	171,818	4.7	6	Wireless solutions	45 days	Telegraphic transfer
Total	**2,737,584**	**74.9**				

Note:

1. Customer H is an engineering services firm which offers consulting, technical representation, and project execution services, based in the United States.

Our Directors confirm that, as of the Latest Practicable Date, the five largest customers of our Group during each year of the Track Record Period were all Independent Third Parties and, during the Track Record Period and up to the Latest Practicable Date, none of our Directors or their respective close associates or any of our Shareholders, to the knowledge of our Directors, owned more than 5% of our issued Shares, had any interest in any of our five largest customers. During the Track Record Period, to the best knowledge of our Directors, our Group did not have any material disputes with our customers.

Relationship with our largest customer during the Track Record Period

Customer A is an Independent Third Party. During the Track Record Period, Customer A was our largest customer and our revenue derived from Customer A amounted to RMB1,269.7 million, RMB1,114.7 million, and RMB1,525.8 million, representing 33.6%, 36.1%, and 41.8% of our total revenue, respectively. Customer A is a multinational data networking and telecommunications equipment company headquartered in Finland. Our relationship with Customer A is characterized by mutual dependence and strategic collaboration. We provide dedicated solutions tailored to Customer A's needs, while Customer A offers stable business that supports our expansion. This relationship ensures that both parties benefit from each other's strengths and capabilities. Customer A and our Company have an established relationship of 14 years, and our relationship is formalized framework agreements followed with purchased orders. This long-term commitment underscores the trust and reliability that both parties have in each other, fostering a stable and predictable business environment. While alterations in the partnership with Customer A could significantly affect our operations, we have been employing a dual strategy of having one anchor customer supported by a large number of diverse customers. This approach ensures that we are not overly dependent on a single customer and can maintain operational stability even if changes occur. The likelihood of significant negative changes, or the termination, of the relationship with Customer A is considered low. Factors contributing to this low likelihood include the established trust, long-term agreements, and the mutual benefits derived from a successful partnership between us.

Sales and marketing

Our sales and marketing team comprised of 82 personnel as of December 31, 2024, with most members having at least six years of relevant experience. We have implemented a flexible marketing strategy to serve a full range of customers, focusing on sales directly to ICT equipment providers, telecommunications operators, cloud data center operators, internet technology companies, and traditional intermediaries like system equipment manufacturers. Our marketing activities primarily include trade shows and exhibitions, but we also reach customers through forums and seminars.

Our team members are localized to multiple countries to be in close proximity to our customers, bringing dedicated expertise and knowledge to them. We have established region-focused sales and marketing teams for North America, Europe, China, and Southeast Asia. Our team proactively identifies market opportunities and designs sales strategies to capitalize on them. To fully serve our customers, we assign a marketing manager and establish a team dedicated specifically to each major customer. The sales manager responsible for a specific customer works closely with both the customer and our employees, including staff from our research and development teams and product design and development engineers from our manufacturing facilities, to develop products tailored to meet that customer's specific needs.

We would also acquire customers by leveraging our brand reputation and industry influence, established through long-term, comprehensive, and in-depth collaboration with top-tier companies across the years. For instance, we have been a member of the Broadband Forum for over a decade. This is a non-profit industry organization dedicated to designing smarter and faster broadband networks, and is highly influential in the telecommunications industry. In 2011, we became one of the first companies to achieve BBF.247 certification, a significant program under the Broadband Forum, ensuring interoperability of GPON standards from different manufacturers. We have also regularly attended the Network X Exhibition (the former Broadband World Forum Exhibition), the very recent of which was held at the Paris Expo Porte de Versailles in 2024, where we demonstrated our latest technologies and products to potential customers, and gained insights into the industry trends and the offerings of other manufacturers. We have also regularly attended the Optical Fiber Communication Conference and Exhibition, an annual industry event in the global optoelectronics and optical communications field, jointly organized by the Optical Society of America, the IEEE Communications Society, and the IEEE Lasers and Electro-Optics Society. By regularly presenting our solutions at this event, we demonstrated our innovative capabilities and leadership in the optoelectronics industry.

Pricing and payment

We set prices for our solutions primarily based on the estimated costs incurred in the design and production of a product plus a profit margin that varies depending on the type of product and the model sold, which we believe is in line with industry practice. We periodically review our costs of production. The prices may be reviewed as necessary to meet our business needs. For customers that require additional design and development work, we consider additional costs needed to implement such modifications and report the new price to our customer for approval or further discussion. Pricing may also depend upon the volume of the order within a certain period. We may sometimes provide a more competitive price for large bulk orders due to the higher efficiency and lower allocation of the fixed cost which results in a lower average per-unit cost.

We do not consider ourselves to be heavily exposed to credit risks and payment collection risks from our customers. Our standard practice is to request immediate payment from our customers, while also providing them with a credit period ranging from 30 to 90 days. This credit period is subject to various factors, including their background, reputation within the industry, payment history, creditworthiness, and the duration of our business relationship with them.

Post-sales services

Our post-sales services cover product support, as well as repair, return and exchange of defective products that were purchased from us, within certain time periods, in compliance with regulatory requirements, the warranty terms with the customers, and policies on the return, replacement and repair of products. We have established corrective and preventive management procedures to analyze the causes of non-conformities that have occurred or may potentially occur within the product quality system. In the event that a batch of delivered products might be found unsuitable post-delivery, we will strictly follow such procedures for product recall and will promptly inform the relevant stakeholders.

Product defects and recalls

With years of experience in technical design and applications, we have established a comprehensive product quality management system, obtaining eight major management system certifications, including, among others, ISO: 9001 Quality Management System, TL: 9000 Telecommunications Quality Management System, QC: 080000 Hazardous Substance Process Management System, and ISO: 27001 Information Security Management System.

The following flowchart sets forth a summary of such procedures in relation to defective products and recalls:

Steps	Responsible department
1. Analyze product quality issues and provide relevant data.	Quality department
2. Decide on whether a recall is necessary.	Business unit
3. a. Form a recall team to manage the recall process.	Recall team
b. Identify the products that need to be recalled.	
c. Confirm recall information.	
d. Prepare necessary documentation.	
4. Communicate the recall information to customers.	Sales department

Steps	Responsible department
5. a. Collect and dispose of recalled products. b. Review recall process and management system for improvements. c. Prepare a summary report of the recall.	Recall team

Upon receiving a notification from a customer regarding a potential product defect which may require a recall, our process begins with the quality control department analyzing the product quality issues and providing relevant data. This department is responsible for identifying any defects in the products and gathering all necessary information to understand the extent and nature of the problem. Once the analysis is complete, the business unit leader makes a decision on whether a recall is necessary. This decision is based on the severity of the defects and the potential impact on customers and the commercial and warranty terms with the customers.

If a recall is deemed necessary, a recall team is formed. This team is responsible for managing the entire recall process. The first task of the recall team is to identify the products that need to be recalled. This involves tracing the defective products and ensuring that all affected items are accounted for. Once the products are identified, the recall team confirms the recall information and prepares the necessary documentation. This documentation includes details about the recall process, the reasons for the recall, and instructions for customers on how to return the defective products.

The next step is to implement the recall. The sales department plays a crucial role in this stage by communicating the recall information to customers. They ensure that all customers who have purchased the defective products are informed about the recall and provided with instructions on how to return the products. The recalled products are then collected and disposed of appropriately. The recall team is responsible for overseeing this process and ensuring that all recalled products are handled according to the established procedures.

After the recall is completed, we will focus on corrective and preventive actions. This involves reviewing the recall process and the management system to identify any areas for improvement. The goal is to optimize the design and production procedures and prevent similar issues from occurring in the future. The recall team prepares a summary report of the recall, which includes an analysis of the root cause, the effectiveness of the corrective actions, and any recommendations for future improvements.

Customer relations and complaints

We also place a high priority on customer satisfaction and have implemented a comprehensive internal system to record, track, and maintain our relationships with customers. This system also allows us to analyze feedback received from end-users, enabling us to respond to their needs efficiently and promptly. By leveraging insights generated from our system, we continuously enhance the end-user experience. Key aspects of our customer communication and complaint handling efforts include:

- *Reception and registration:* For urgent complaints, we provide an initial response within 24 hours, while general complaints are addressed within 48 hours. The details of each complaint, including the content, time, and contact information, are meticulously recorded in a complaint registration form to ensure traceability.

- *Analysis and resolution:* Relevant departments are tasked with analyzing and investigating complaints to understand their root causes and essence. Based on the nature of the problem and customer requirements, a resolution plan is formulated and communicated with the customer for confirmation, ensuring timely resolution of the issue.

- *Rectification:* We maintain a complaint database to record the details of each complaint, including the handling process and outcome, for management and analysis purposes. Regular statistical analysis of complaint data is conducted to summarize complaint types, causes, and solutions. This information is used to conduct business training, propose improvement measures, and prevent the recurrence of similar issues.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material sales returns, product recalls, or product liability claims due to quality control issues, nor did we receive complaints from customers, that materially and adversely affected our results of operations.

MARKET COMPETITION

According to F&S, the global integrated OWCD industry encompasses a comprehensive suite of devices essential for the optical communication and wireless networking industry, including photonics, wired broadband access, and wireless network access devices. From 2020 to 2024, the global sales revenue of the integrated OWCD industry increased from USD32.4 billion to USD54.6 billion, with a CAGR of 13.9% and is expected to reach USD111.8 billion by 2029, representing a CAGR of 15.4% from 2024. In terms of market competition, the global integrated OWCD industry is relatively competitive with total market size of USD12.4 billion in 2024. The top five players had an aggregate of 29.0% of the market share in the industry in terms of sales revenue. Our Company ranked 5th among all players, with a market share of 4.1% in global integrated OWCD industry. Among the integrated OWCD industry, full-sector coverage participants, including photonics, PON devices and wireless network access devices, have the capability to provide end-to-end solutions. We are one of the few and the second largest market participant in the global OWCD industry with full-sector coverage in 2024.

For further details, please refer to the section headed "Industry Overview" in this Document.

SUPPLIERS, PROCUREMENT, AND INVENTORY

Our suppliers primarily include, among others, semiconductor chip manufacturers and our co-location partners. While each of our three solution categories may depend on specific suppliers for their main chips, overall procurement risk is mitigated through diversification across these segments. Suppliers are selected carefully, considering factors such as their technologies, supply capacity, quality of their products, price, corporate history, number of employees, ratio of technical quality staff, ISO: 9001 certifications, social responsibility, financial performance, industry position, and experience. We conduct regular monthly assessments of suppliers' quality, delivery, pricing, and service delivery to ensure they meet of our standards. A database is maintained for suppliers who fail to meet these standards, and a list of qualified suppliers is established for each type of raw material.

Our major suppliers

During the Track Record Period, our major suppliers comprise mostly providers of telecommunications parts and components. For the years ended December 31, 2022, 2023, and 2024, purchases from our five largest suppliers amounted to RMB1,130.5 million, RMB709.7 million, and RMB1,089.4 million, respectively, accounting for 34.0%, 35.3%, and 38.8% of our total purchases for each of the same years.

The following table sets forth details of our five largest suppliers during the year ended December 31, 2022:

Supplier	Purchase amount	Percentage of total purchase	Year of commencement of business relationship	Nature of purchase	Credit period granted to us	Payment method
	RMB'000	%				
Supplier A[(1)]	282,536	8.5	13	BOSA and processing services	60 days	Telegraphic transfer
Supplier B[(2)]	263,037	7.9	10	Integrated circuit	90 days	
Supplier C[(3)]	239,380	7.2	14	Integrated circuit	60 days	Telegraphic transfer
Supplier D[(4)]	176,794	5.3	13	Integrated circuit	90 days	Telegraphic transfer
Supplier E[(5)]	168,703	5.1	11	Integrated circuit	90 days	Telegraphic transfer
Total	**1,130,450**	**34.0**				

Notes:

1. Supplier A is a company that specializes in the research and manufacturing of optical components, headquartered in China.

2. Supplier B is company headquartered in China, specializing in the wholesale distribution of electronic parts and electronic communications equipment.

3. Supplier C is a multinational data networking and telecommunications equipment company headquartered in Finland.

4. Supplier D is an electronics components distributor and application solutions provider, headquartered in China.

5. Supplier E is a company operating electronic product distribution businesses, headquartered in based in China.

The following table sets forth details of our five largest suppliers during the year ended December 31, 2023:

Supplier	Purchase amount	Percentage of total purchase	Year of commencement of business relationship	Nature of purchase	Credit period granted to us	Payment method
	RMB'000	%				
Supplier F[1]	186,492	9.3	13	Integrated circuit	90 days	Telegraphic transfer
Supplier A	180,920	9.0	13	BOSA and processing services	60 days	Telegraphic transfer
Supplier C	130,290	6.5	14	Integrated circuit	60 days	Telegraphic transfer
Supplier D	109,191	5.4	13	Integrated circuit	90 days	Telegraphic transfer
Supplier E	102,831	5.1	11	Integrated circuit	90 days	Telegraphic transfer
Total	**709,724**	**35.3**				

Note:

1. Supplier F is a company specializing in the distribution of electronic parts and components, headquartered in China.

The following table sets forth details of our five largest suppliers during the year ended December 31, 2024:

Supplier	Purchase amount	Percentage of total purchase	Year of commencement of business relationship	Nature of purchase	Credit period granted to us	Payment method
	RMB'000	%				
Supplier F	291,946	10.4	13	Integrated circuit	90 days	Telegraphic transfer
Supplier C	235,427	8.4	14	Integrated circuit	60 days	Telegraphic transfer
Supplier B	234,398	8.3	10	Integrated circuit	90 days	Telegraphic transfer
Supplier A	165,061	5.9	13	BOSA and subcontracting services	60 days	Telegraphic transfer
Supplier E	162,572	5.8	11	Integrated circuit	90 days	Telegraphic transfer
Total	**1,089,404**	**38.8**				

Our Directors confirm that, as of the Latest Practicable Date, the five largest suppliers of our Group during each year of the Track Record Period were all Independent Third Parties and, during the Track Record Period and up to the Latest Practicable Date, none of our Directors or their respective close associates or any of our Shareholders, to the knowledge of our Directors, owned more than 5% of our issued Shares, had any interest in any of our five largest suppliers. During the Track Record Period, to the best knowledge of our Directors, our Group did not have any material disputes with our suppliers.

Supply chain management

We place significant emphasis on supply chain management and we have put in place internal measures that standardize the processes for supplier classification, development and onboarding, material selection and certification, category management, audit management, performance evaluation, supplier qualification cancellation, reinstatement, and other procedures. These measures are designed to align supplier resources with our development needs, stabilize the supply of products and services, and ensure the quality of the products supplied.

Suppliers are categorized into three levels: core, important, and general, based on the importance of the procured materials, each level has specific qualification requirements, which include the number of employees, the ratio of technical personnel, ISO: 9001 certification, social responsibility, supply chain security systems, and financial performance.

Before engaging new suppliers, relevant departments will conduct qualification investigations and on-site audits as needed. Established suppliers are managed through our supplier performance standards, with key material suppliers generally audited every two years. For suppliers that fail such audits, corrective measures are tracked and verified. If requirements are still not met, the supplier's qualification is canceled after mutual agreement.

To mitigate supply chain risks, we usually enter into a general procurement agreement with our suppliers. This agreement includes several key components: confidentiality agreement, quality assurance agreement, declaration on conflict-free minerals, code of conduct, supplier integrity and anti-corruption agreement.

The above measures help us ensure the effective implementation of following principles:

- ***Compliance with labor standards:*** our suppliers shall provide humane treatment to their employees, prohibit discrimination, forced labor, child labor, or any other human rights violations.

- ***Work safety:*** our suppliers shall ensure safety in workplace through appropriate design, engineering and management control, preventive maintenance, safe operating procedures, and continuous safety training to ensure employees' health and safety.

- ***Environmental protection:*** our supplier shall comply with environmental laws and regulations, prevent pollution, conserve resources, and minimize the use of hazardous substances.

- ***Adherence to business ethics standards:*** our suppliers are strictly prohibited of any forms of corruption, extortion, and embezzlement, and shall implement, monitor and enforce procedures to ensure compliance with anti-corruption rules and regulations.

During the Track Record Period and up to the Latest Practicable Date, there had not been any instances where our suppliers were in breach of such codes and agreements that had resulted in a material and adverse impact on our results of operations and financial position.

Raw materials, parts, and components

We procure a wide variety of raw materials, parts, and components, such as integrated circuit chips, structural components, transistors, and connectors. During the Track Record Period and up to the Latest Practicable Date, we did not experience any quality issues with, or shortage of, our raw materials, parts, or components that had resulted in a material and adverse impact on our operations. A localized and stable supply chain is one of our key priorities. To prepare for potential shortages, we have engaged in discussions with qualified international suppliers to establish long-term strategic partnerships and have broadened our supplier base, thus securing a stable supply of raw materials and critical components. In the near future, most of our raw materials are not expected to face long-term or short-term shortages. While there may be occasional temporary shortages of specific materials, these instances are expected to be rare.

Inventory management

Effective inventory management is considered critical to our operational success, guided by precise planning and accurate demand forecasting. By synchronizing our production schedules with market demand, we optimize inventory levels to meet customer requirements without overstocking or understocking. To achieve this objective, we have established inventory management practices that include maintaining a strategic buffer stock of unfinished goods that are ready to be utilized on short notice to fulfill customer orders. We provide our suppliers with a forecast of our purchase needs several months in advance, followed by individual purchase orders specifying product quantities and delivery terms. Typically, it takes approximately several weeks from placing a purchase order to receiving the products in our warehouse. Additionally, we conduct regular inventory audits of these unfinished goods to ensure an adequate and accurate stock level to support our operations. Monthly, quarterly, and semi-annual audits are performed based on the types of materials stored, along with an annual comprehensive audit of our entire inventory.

In terms of our finished goods, all of the items produced in our in-house facility in Shanghai, or at our co-location partners' facilities in China, will be first transported to a storage area housed inside our in-house facility in Shanghai. Such storage area occupies a GFA of 2,500 sq.m., whereas items produced by our overseas co-location partners will be stored in a dedicated storage area at their facilities. Such dedicated areas typically occupy a GFA between 2,000 sq.m. and 2,500 sq.m.. As our customers generally have specific delivery destinations for their purchase orders, we would coordinate and arrange transportation for the delivery of products via third-party transportation services providers to ensure that the products reach these customers in a timely manner. The costs and liability of products during transport can be borne by the customer, or us, depending on the agreements made. In some instances, customers would also arrange the collection of our products on their own accord. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any instances of inventory management that had resulted in a material and adverse impact on our financial condition.

Technology also plays a pivotal role in our supply chain and inventory management system. We leverage advanced tools and software to monitor inventory levels in real-time, analyze trends, forecast future demands, and manage stock across our supply chain. These technologies enable us to make data-driven decisions, improve accuracy in our inventory counts, and enhance overall efficiency. For more information of such technologies, please refer to the subsection headed "— Our technologies" in this section.

OVERLAPPING CUSTOMERS/SUPPLIERS

In-line with the common industry practice, during the course of our business operations, we had designed and produced solutions that cater to the needs of certain telecommunications conglomerates from which we had to purchase specific raw materials necessary to manufacture the products according to their specifications and quality control requirements. For the years ended December 31, 2022, 2023, and 2024, we had three, one, and one of our five largest customers during the Track Record Period (one of which is Customer A) that were also our suppliers, generating a revenue of RMB1,753.4 million, RMB1,114.7 million, and RMB1,525.8 million, which represented 46.3%, 36.1%, and 41.8% of our total revenue, respectively. For the same years, the purchases from such overlapping customers/suppliers amounted to RMB416.4 million, RMB130.3 million, and RMB235.4 million, which represented 12.6%, 6.5%, and 8.4% of our total purchases, respectively. Our Directors also confirm that none of the transactions between us and our overlapping customers/suppliers were inter-connected or inter-conditional, and all of such overlapping customers/suppliers are Independent Third Parties. Our Directors affirm that the prices of transactions with overlapping customers/suppliers are comparable to those of similar transactions conducted with other customers/suppliers of our Group. We also confirm that all solutions provided to and products received from overlapping customers/suppliers during the Track Record Period were conducted at arm's length, under normal commercial terms, and in the ordinary course of business.

INTELLECTUAL PROPERTY

We regard our proprietary domain names, copyrights, trademarks, trade secrets, and other intellectual property as critical to our business operations and fundamental to our success and competitiveness, and we devote significant time and resources to their development and protection. We rely on a combination of patents, copyrights, trademarks, trade secret laws, and restrictions on disclosure to protect our intellectual property. For detailed information about our material intellectual property, please refer to "Appendix VI — Statutory and General Information — Further Information About Our Business — Intellectual Property Rights" to this Document. During the Track Record and as of the Latest Practicable Date, we had not been subject to any material dispute or claims for infringement upon third parties' trademarks, licenses, and other intellectual property rights that may result in a material and adverse impact on our results of operations and financial position.

EMPLOYEES

As of December 31, 2024, we had a total of 1,231 full-time employees with 1,118 employees based in China and 113 employees based overseas, including in the United States, Japan, Germany, and Malaysia.

The following table shows the numbers and percentages of our full-time employees based in China, by function, as of December 31, 2024:

Function/department	Number of employees	% of total employees
R&D	578	51.7
Production	348	31.1
Sales and marketing	55	4.9
Finance	24	2.2
Admin and other general functions	113	10.1
Total	**1,118**	**100.0**

The following table shows the numbers and percentages of our full-time employees based overseas by function as of December 31, 2024:

Function/department	Number of employees	% of total employees
R&D	52	46.0
Production	8	7.1
Sales and marketing	27	23.9
Finance	5	4.4
Admin and other general functions	21	18.6
Total	**113**	**100.0**

We believe that our employees are valuable assets that contribute to the success of our Group. We recruit our employees based on a number of factors such as their industry experience, their educational background, and our vacancy needs. We offer employees fair and competitive compensation and benefits, and incentivize employees to improve their performance with a performance-based compensation system. Our compensation system includes base pay, performance-based salary, bonuses, project bonuses, and allowances and subsidies, while our benefits system includes statutory benefits, supplementary commercial insurance, leaves, health check-ups, and holiday benefits. We encourage employees to participate in discussing and improving the system of compensation and benefits, keep abreast of employees' demands and expectations, and make appropriate adjustments based on actual conditions. These efforts aim to ensure that the system of compensation and benefits meets both employees' demands and our Company's development needs, and improve employee satisfaction and recognition of the system. We typically enter into individual employment contracts with our employees covering matters such as wages, employee benefits, employment scope, and grounds for termination. As of the Latest Practicable Date, our employees had not negotiated their terms of employment through any labor union or by way of collective bargaining agreements.

We adhere to the principles of openness, fairness, impartiality, and merit-based selection, set job positions based on actual needs, and ensure talent-post matching during employment. We prohibit any form of forced or bonded labor, corporal punishment, imprisonment, or threats of violence. The employment of child labor or minors under 18 years old and recruitment through coercion or deception are also strictly forbidden. Our goal is to protect employees' legal rights and interests and fulfill our responsibilities as an employer.

We also value workplace equality and diversity, ensuring that no employee is discriminated against due to gender, race, marital status, surname, geographic origin, religious beliefs, or other differences during employment. We safeguard employees' right to equal employment, foster a respectful work environment, and respect employees' dignity and personality, ensuring that employees are not subjected to any form of physical, verbal, psychological, or gender-based harassment or abuse. As of December 31, 2024, we had a total of 1,231 employees, with 34.7% female employees, 55.4% holding bachelor's degrees or higher, and 9.2% overseas employees.

Our Directors also confirm that during the Track Record Period and up until the Latest Practicable Date, we had not received any fines, penalties, warnings, or administrative actions against us by any local authorities in relation to our employees and any relevant local labor laws or regulations.

Our employees undergo training to enhance their technical skills, knowledge of industry quality standards, occupational health and safety standards, and applicable laws and regulations. Our training follows principles of systemization, specialization, diversification, and effectiveness. Our hierarchical training framework involves overall planning and supervision by our Company, with implementation by functional departments, branches, and subsidiaries. Training programs include internal training, external training, and self-directed learning. We ensure continuous, systematic, and effective training through established policies. We prioritize internal training while incorporating external courses selectively and adopt a blended learning approach to meet diverse learning needs. To better support our business expansion into global markets and enhance our employees' international competencies, we conduct regular business English training for our employees every year.

We believe that we have maintained good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major labor disputes, work stoppages, or labor strikes that led to disruptions in our Group's operations.

INSURANCE

We consider our insurance coverage to be adequate, as we maintain all the mandatory insurance policies required by the relevant laws and regulations and in accordance with the commercial practices in our industry. We also maintain an insurance policy for our fixed assets and an product liability insurance for products produced in China. In line with general market practice, we do not maintain any business interruption insurance, which are not mandatory under PRC laws. We do not maintain any "key man" insurance or insurance policies covering damages to our information technology systems. We have also secured several insurance policies to protect our overseas operations. Our general liability insurance provides comprehensive coverage for general company liabilities and product liabilities manufactured overseas. We have property insurance that covers our office renovations, office furniture and fixtures, R&D equipment, inventories, production equipment, and electronic devices, ensuring they are safeguarded against potential damages or losses. To protect against claims of negligence or inadequate work, we have errors and omissions Insurance. Our cargo insurance insures the liability for goods shipped and delivered, protecting against potential losses or damages during transit. In relation to our overseas employees, our employment practices liability insurance covers claims related to employment practices, such as wrongful termination, discrimination, and harassment, ensuring that we are protected against employment-related lawsuits. Our employees in the United States will also be protected by a worker's compensation program.

During the Track Record Period, we did not make any material insurance claims in relation to our business.

PROPERTIES

Owned properties

As of the Latest Practicable Date, we owned five properties in China, with a total GFA of approximately 5,675.34 sq.m.. We use these properties as premises for R&D and other ancillary purposes. As of the Latest Practicable Date, we had obtained the title certificates for all our owned properties. Our Company's PRC Legal Adviser is of the view that we have legal title to these properties and the land use rights for the land occupied by these buildings. We also hold land in China, with a total floor area of 57,549 sq.m., on which our new in-house facility in Jiashan, near Shanghai, is situated. As of December 31, 2024, we did not have any single property with a book value accounting for 15% or more of our total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempt from the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Leased properties

As of the Latest Practicable Date, we leased multiple properties in China and overseas from Independent Third Parties, with an aggregated GFA of approximately 42,764.31 sq.m., which are primarily used as office buildings, R&D, and production. We did not experience any material difficulties in negotiating a renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. For further information, please refer to the section headed "Risk Factors — Risks relating to our business and industry — We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings." in this Document. During the Track Record Period and up to the Latest Practicable Date, there was no material litigation or arbitration pending or threatened against us or our Directors that could, individually or in the aggregate, have a material and adverse effect on our business, financial condition, or results of operations.

Legal compliance

Our Directors confirm that our Group has complied, in all material respects, with all relevant laws and regulations in the PRC and overseas, and there was no non-compliance incident that had materially and adversely affected our business, financial position, or results of operations during the Track Record Period and up to the Latest Practicable Date.

LICENSES, APPROVAL AND PERMITS

As of the Latest Practicable Date, we had obtained all material licenses and permits required for our business operations in the China and overseas.

The following table sets forth details of our other material licenses and permits:

License/permit	Holder	Issuing authority	Grant date	Expiration date
Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources (固定污染源排污登記回執)	Shanghai branch of Our Company	N/A	August 31, 2023	August 30, 2028
Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources (固定污染源排污登記回執)	CIG Xi'an Co., Ltd.* (西安劍橋科技有限公司)	N/A	February 16, 2023	February 15, 2028
Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources (固定污染源排污登記回執)	CIG Wuhan Co., Ltd.* (上海劍橋科技(武漢)有限公司)	N/A	October 17, 2023	October 16, 2028
Customs import and export goods consignee and consignor filing (海關進出口貨物收發貨人備案)	Our Company	Longwu Customs of Shanghai (龍吳海關)	N/A	N/A
Customs import and export goods consignee and consignor filing (海關進出口貨物收發貨人備案)	CIG Shanghai Communication Equipment Co., Ltd.* (上海劍橋通訊設備有限公司)	Longwu Customs of Shanghai (龍吳海關)	N/A	N/A
Customs import and export goods consignee and consignor filing (海關進出口貨物收發貨人備案)	CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)	Jiashan office of Customs of Jiaxing (嘉關善辦)	N/A	N/A
Customs import and export goods consignee and consignor filing (海關進出口貨物收發貨人備案)	CIG Xi'an Co., Ltd.* (西安劍橋科技有限公司)	Guanzhong Customs (關中海關)	N/A	N/A
Customs import and export goods consignee and consignor filing (海關進出口貨物收發貨人備案)	Actiontec Electronics (Shanghai), Inc.* (邁智微電子(上海)有限公司)	Longwu Customs of Shanghai (龍吳海關)	N/A	N/A

AWARDS AND RECOGNITION

The following table sets forth notable awards and recognition in respect of our business achievements, technology, and innovation:

Year	Award/recognition	Awarding institution/authority
2025 . .	Outstanding Entrepreneurs of Minhang District	People's Government of Minhang District, Shanghai
	Innovative Enterprise Headquarters of Shanghai	Office of the Leading Group for Strategic Emerging Industries of Shanghai
2024 . .	Top 100 Shanghai Private Manufacturing Enterprises (Rank: 54)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
	Top 100 Shanghai Emerging Industry Enterprises (Rank: 61)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
	Top 100 Shanghai Manufacturing Enterprises (Rank 79)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Shanghai Federation of Economic Organizations, Jiefang Daily
	Top 100 Shanghai Specialized and New Enterprises Brand Value List	China Brand Economy (Shanghai) Forum Organizing Committee, Shanghai Enterprise Culture and Brand Research Institute
2023 . .	AAA-level Management System Certification for Integration of Informatization and Industrialization	Ministry of Industry and Information Technology of the People's Republic of China
2022 . .	Top 100 Shanghai Private Manufacturing Enterprises	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
	Top 100 Shanghai Manufacturing Enterprises	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Shanghai Federation of Economic Organizations, Jiefang Daily

Year	Award/recognition	Awarding institution/authority
	Top 100 Shanghai Emerging Industry Enterprises	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
2021 . .	Certificate of Multinational Corporation R&D Center	Shanghai Municipal Commission of Commerce
	Minhang District Intelligent Factory	Minhang District Economic Commission
	Lingang Park Leading Star	Lingang Group
	Top 100 Shanghai Private Manufacturing Enterprises (Rank: 44)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
	Top 100 Shanghai Emerging Industry Enterprises (Rank: 50)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
	Top 100 Shanghai Manufacturing Enterprises (Rank: 68)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
2020 . .	Shanghai Intelligent Factory	Shanghai Municipal Commission of Economy and Informatization
	Recognized Foreign-funded R&D Center	Shanghai Municipal Commission of Commerce
	Top 100 Shanghai Private Manufacturing Enterprises (Rank: 32)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
	Top 100 Shanghai Manufacturing Enterprises (Rank: 56)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association, Jiefang Daily
	Top 100 Shanghai Private Enterprises (Rank: 87)	Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association

ENVIRONMENT, SOCIAL AND GOVERNANCE ("ESG") MATTERS

ESG governance

We are dedicated to creating sustainable value for our stakeholders, including investors, government agencies, employees, suppliers, customers, and the communities in which we operate, through our ESG practices. Our objective is to achieve long-term positive impacts by integrating ESG governance into our strategic decision-making process.

We have established a three-tier ESG governance framework, consisting of the decision-making level, the management level, and the execution level. The decision-making level assumes the ultimate responsibility for overseeing and making decisions on ESG matters, as well as reviewing ESG strategic goals. The management level breaks down the ESG strategic goals and coordinates the implementation of such goods among the various departments. The execution level integrates ESG performance indicators into daily operations and management.

We have also established a set of internal policies to guide our management on ESG-related issues. In particular,

- ***Environmental matters:*** In alignment with ISO: 14001 Environmental Management System standards, our policies cover energy conservation, carbon emission reduction, and the treatment of exhaust gas, wastewater, and solid waste.

- ***Social matters:*** In alignment with ISO: 45001 Occupational Health and Safety Management and ISO: 9001 Quality Management System standards, our policies cover employee health and workplace safety, product quality and recalls, employee promotion, compensation, benefits, and training, as well as corporate philanthropy and charitable initiatives.

- ***Governance matters:*** We have formulated a code of business ethics for employees that includes policies on conflict of interest, information confidentiality, and anti-corruption. Employees receive regular compliance training to strengthen internal regulatory compliance and ethical business practices. Our ESG governance body is responsible for monitoring our compliance with these policies and procedures and updating them based on changes in ESG-related policies and standards.

Following our [**REDACTED**], the Board of Directors confirms that we will stay focused on and strictly adhere to Appendix C1 and Appendix C2 to the Listing Rules, while ensuring full compliance with all ESG-related rules and regulations. Additionally, we will publish an ESG report annually to disclose our significant ESG issues, risk management practices, fulfillment of objectives, and overall performance. We also maintain effective communication with key stakeholders through various communication channels.

ESG risks management and strategy

ESG risks management

Material topics serve as the cornerstone of our sustainability management and ESG risk identification and assessment. We establish a comprehensive database for ESG topics through an in-depth analysis of our Group's activities and business relationships, and we extensively solicit the opinions of various stakeholders via questionnaires. These topics are then ranked based on their materiality, allowing us to allocate resources efficiently and develop mitigation strategies to address the major risks identified, thereby enhancing our ability to manage ESG-related issues effectively.

We also identify the laws, regulations, and industry standards applicable to our Company, covering various risks such as those in relation to climate change, employee welfare, supply chain management, anti-corruption, in order to ensure compliance with the relevant legal requirements and the alignment with or exceeding industry benchmarks.

ESG opportunities

As global environmental protection policies continue to advance and customers' ESG awareness and expectations increase, market preferences are shifting toward eco-friendly products. This trend is creating new opportunities for the adoption of green technologies. In response, we have utilized our extensive expertise in the R&D of green products to meet our customers' diverse environmental needs.

Our approach involves systematically integrating green innovations into our daily processes, such as optimizing our production processes, developing circular packaging solutions, and collaborating with supply chain partners to reduce our carbon emissions. These initiatives can help create a product design and development process that can match our customers' recycling needs and provide a technological foundation for capturing emerging market opportunities.

Additionally, by enhancing ESG management within our supply chain, we not only strengthen its resilience against ESG risks but also comply with international customer standards through sustainable procurement practices, thereby reinforcing our brand credibility. By adopting forward-thinking technological strategies and upgraded governance models, we can position ourselves to transform ESG capabilities into a differentiated market barrier, against existing and potential competitors, and drive long-term growth.

Through these efforts, we can capitalize on the growing demand for sustainable products and practices, ensuring that we remain at the forefront of innovation and sustainability in our industry.

ESG risks mitigation strategies

We believe that our proactive approach to ESG risks mitigation ensures that we not only address potential risks but also seize opportunities to enhance our ESG performance, thereby driving value creation and fostering a sustainable future for our Company and stakeholders. To do so, we have implemented a series of mitigation strategies based on the concepts of risk avoidance, risk reduction, risk transfer and risk acceptance. These include establishing a robust internal ESG management system to enhance our monitoring and early warning capabilities, conducting regular risk assessments to ensure timely identification of potential issues, and formulating targeted countermeasures.

Our mitigation measures involve optimizing production processes to minimize environmental pollution, improving employee benefits to strengthen our social responsibility, and refining corporate governance structures to increase transparency our and accountability. By systematically integrating these measures, we aim to reduce ESG risks, promote sustainable development, bolster investor confidence, and reinforce corporate social responsibility, thereby laying a solid foundation for long-term business growth.

To effectively implement such risks mitigation strategies, we plan to develop specific measures based on the urgency and potential impact of risks:

Relevant risk	Potential impact	Mitigation measures
Extreme climate	Climate change increases extreme weather events, leading to physical risks with financial consequences. For example, natural disasters and power outages caused by climate change may lead to the depreciation of our fixed assets, loss of labor, or instability in production.	Monitor the impact of extreme weather, establish emergency management mechanisms and contingency plans in advance, and provide employees with emergency drill training.
Health and safety incidents	Employee health and safety risks may bring legal litigation, financial losses, production disruptions, and reputational damage to our Company, leading to stock price volatility and development setbacks.	Promote occupational health check-ups, set up a committee on workplace safety, enforce the accountability system for workplace safety, enhance safety awareness of all staff, and provide emergency safety equipment and training for employees.

Relevant risk	Potential impact	Mitigation measures
Regulatory risk.	Stricter regulation on sustainable development such as carbon emission regulation may impose pressures on our Company. Examples include the compliance requirements for China's carbon peaking and carbon neutrality goals and the EU's Carbon Border Adjustment Mechanism. Transitioning to a sustainable development model may require us to explore lower-carbon products and reduce non-environmentally friendly packaging materials, which may increase our operational costs.	Stay informed on environmental policies and regulations, and provide employees with environmental education and training on the latest policies.
Low-carbon technology risk	Against the backdrop of global customers accelerating the shift toward green procurement. If our low-carbon technology research and development efforts fail to keep pace, this could severely weaken our market competitiveness.	Integrate environmental requirements across all stages of the product lifecycle, including development, design, procurement, manufacturing, packaging, transportation, and usage, to create sustainable products and promote product carbon footprint certification.
Employee well-being . . .	Our Company may face multifaceted risks when hiring talent, such as labor disputes, business disruption or project delays caused by talent attrition, legal and reputational risks caused by employee misconduct, financial risks brought by excessive labor costs, and efficiency and innovation risks due to skill-job mismatches.	Set job positions according to actual needs, ensure talent-post matching, and provide employees with an equal, inclusive, fair, and open workplace.
Supply chain management	Delivery delays, supply disruptions, price fluctuations, and inconsistent product quality from suppliers may increase our procurement costs. Additionally, ESG compliance risks among suppliers are becoming more pronounced. Failure to conduct effective supplier audits may lead to unfair or unethical practices of the suppliers that harm our reputation.	Strengthen the role of the supplier platform as an online monitoring tool and enhance ESG assessments and audits of suppliers to ensure their compliance with our ESG standards.

Relevant risk	Potential impact	Mitigation measures
Corporate compliance and governance.	Lack of corporate governance mechanisms may lead to issues such as deficiencies in transparency, weakened accountability and unethical business practices. Additionally, failure to comply with relevant laws and regulations may result in regulatory penalties, legal disputes and business restrictions.	Develop and implement a comprehensive corporate governance system, promote internal and external audits, and ensure compliance with laws and regulations in our operations.

Environment matters

Environmental management

We stay committed to a sustainable development strategy. By rationally using energy and resources and minimizing consumption, we aim to pursue harmony between the environment, nature, and society. We rigorously comply with the environmental protection laws and regulations in the areas where we operate. Based on these laws and regulations, we have established a systematic internal environmental management framework, enhancing the effectiveness of sustainability through standardized and process-oriented management mechanisms.

To improve our environmental governance, we have established an environmental management system that complies with ISO: 14001 standards and is certified by a third party. This system follows a "goal, action, and verification" approach, which means we set annual environmental targets, take specific actions to achieve these targets, and then verify the results.

We systematically identify potential environmental risks through comprehensive environmental impact assessments. For high-risk scenarios, such as hazardous chemical leaks or sudden pollution incidents, we have established multi-tiered emergency response plans. These plans outline emergency procedures, resource allocation, and role responsibilities. We also conduct regular emergency drills to enhance employee preparedness, ensuring that our risk prevention capabilities are aligned with our business expansion efforts.

We actively foster a green workplace culture, encouraging all employees to adopt low-carbon practices. Our initiatives include implementing refined water and electricity conservation management, advancing waste sorting, and promoting a paperless office environment. Additionally, we provide environmental awareness training for all employees, promoting sustainable habits in daily operations to reduce our carbon footprint while enhancing environmental benefits and organizational efficiency.

Emissions

We strictly adhere to national laws and regulations on environmental protection as well as national emission standards and ensure rigorous controls over wastewater, exhaust gas, waste, and noise emissions. Our goal is to guarantee compliant discharge of all pollutants, minimize emissions, and reduce negative impacts on the environment and surrounding communities.

In terms of wastewater management, domestic sewage, which is our primary wastewater source, is discharged into the municipal sewage pipe network via factory sewage pipelines. We conduct annual third-party testing of discharged domestic sewage on a regular basis to ensure compliance with the standards that are aligned with the latest environmental protection laws and regulations.

In terms of exhaust gas management, exhaust gas generated during our production process is properly collected and treated before discharge. A comprehensive control plan for volatile organic compounds has been implemented to ensure that exhaust gas emissions comply with the concentration requirements in the standards that are aligned with the latest environmental protection laws and regulations.

In terms of waste management, both non-hazardous and hazardous solid wastes are generated in our production. All hazardous waste is centrally collected and managed, with storage facilities designed to prevent leakage, rainwater, and loss. The designated storage area is equipped with explosion-proof facilities and clear warning labels, and dedicated personnel is responsible for maintaining detailed records of waste entry and exit logs. A hazardous waste management plan is formulated annually and submitted to local regulatory authorities for filing, and qualified third-party agencies are commissioned for regular waste collection and disposal. All hazardous waste disposal records are retained for at least five years. For non-hazardous waste, we entrust qualified recyclers for collection and disposal, with details reported to the environmental regulatory body via an online filing system.

In terms of noise management, noise may be generated during the operation of production equipment. We have adopted soundproofing and vibration-damping measures and installed soundproof doors and windows in our factories to minimize the noise level generated by machinery and equipment and reduce the impact of noise.

Resource use

We continuously enhance our sustainability capabilities and reduce environmental impact by eliminating resource waste. Our primary energy consumption arises from power consumption by machinery and equipment in our production. Fluctuations in electricity prices may impact business costs, and our electricity consumption is also a major source of greenhouse gas ("**GHG**") emissions. To enhance energy efficiency and reduce electricity costs, we have implemented energy-saving projects such as LED lighting replacements and air compressor modifications.

Regarding water usage, we, as a labor-intensive enterprise, mainly consume water in the daily lives of employees. We promote water conservation among our employees by regulating faucet flow and posting water-saving reminders at all water-using points.

We require suppliers to prioritize recyclable, eco-friendly packaging solutions such as recycled plastics and corrugated cardboard, and strictly regulate excessive packaging. We prioritize the use of reusable packaging bags and pallets whenever possible during production to minimize packaging waste.

Climate change

To enhance carbon emission management and adapt to and address climate change better, we plan to set the carbon emission reduction targets of group-wide, and annual carbon emissions reduction projects to meet our targets. Meanwhile, each department assists in advancing these projects.

Our Company's total GHG emissions in 2024 amounted to 10,417.93 tons of CO_2 equivalent (covering Scope 1 and Scope 2), with an emission intensity of 0.0285 tons of CO_2 equivalent per RMB10,000 of revenue.

Social matters

We are committed to fulfilling our responsibilities and giving back to society. While improving corporate management and promoting sustainable development, we also focus on our social responsibilities as a corporate citizen. We advocate for integrity and compliance in business operations, strengthen customer relationships, enhance service capabilities, promote employee development, support public welfare and charity, and foster beneficial partnerships. Our goal is to create greater value for society and all stakeholders.

Employment

We comply with the labor management laws and regulations in the areas where we operate during recruitment. We have established policies in relation to employee recruitment management and anti-discrimination, and an employee's handbook to ensure legal and compliant employment practices. For details on our employment practices and management, please refer to the subsection headed "— Our employees" in this section.

Occupational health and safety

We are dedicated to providing employees with a healthy and safe working environment. We have maintained our certification under the ISO: 45001 Occupational Health and Safety Management System. This demonstrates our ability to meet international occupational health and safety standards, minimize occupational health and safety risks, and ensure the health and safety of employees.

Focusing on occupational health, we set key targets at the beginning of each year and conduct occupational hazard factor testing in relevant workplaces according to relevant requirements. Employees engaging in positions involving occupational hazards are provided with regular occupational health check-ups before taking up the post, while working in the post, and after leaving the post. Dedicated personnel are assigned to manage occupational health records, with each employee having a separate health tracking record.

As for work safety, we have established a work safety management framework which is responsible for employee training, hazard identification, hazard rectification and follow-ups, among other tasks. We have signed work safety responsibility agreements with managers at all levels to enforce accountability for work safety management. We also conduct regular employee safety training and inspections to enhance safety awareness of all staff and ensure that corrective measures are effectively implemented.

In terms of emergency management, we have formulated emergency response plans and we will regular emergency drills to ensure prompt and effective responses of all departments to safety emergencies. Additionally, we have set up a volunteer firefighting team equipped with emergency supplies and conduct regular training sessions. Medical kits are placed in designated areas and managed by assigned personnel, while automated external defibrillators are installed to protect the health and safety of employees. During the Track Record Period, there had not been any major incidents that resulted in severe work injuries.

Development and training

We focus on a talent-centric approach, emphasizing people-oriented practices, teamwork, and continuous learning. We provide clear career promotion channels and diverse training programs to enhance employees' skills and competencies. For details of our employee development and training programs, please refer to the subsection headed "— Our employees" in this section.

Supply chain management

For details on our supply chain management, please refer to the subsection headed "— Suppliers, procurement, and inventory — Supply chain management" in this section.

Product responsibility

With years of experience in technical design and applications, we have established a comprehensive product quality management system, obtaining eight major management system certifications, including ISO: 9001 Quality Management System, TL: 9000 Telecommunications Quality Management System, QC: 080000 Hazardous Substance Process Management System, and ISO: 27001 Information Security Management System.

We are committed to providing customers with the best products and services, continuously improving our product and service quality and enhancing customers satisfaction. We have established quality policies and objectives, while consistently improving our quality management system, to ensure product quality in an all-round way across R&D, production and material management. Additionally, our quality team works closely with core suppliers to effectively improve material quality and achieve better quality performance together with our partners. In the event of a batch defect of products after delivery, we initiate product recalls to avoid or minimize adverse impacts. For details please refer to the subsection headed "— Customers, Sales, and Competition — Post-sales services — Product defects and recalls" in this section.

We have established a management system for customers communication and complaint resolution, incorporating diversified communication channels such as phone, email, social media, and interviews to gather customers' feedback. Moreover, a clear process and response timeline for handling customers complaints and feedback are in place to ensure timely resolution. For details, please refer to the subsection headed "— Customers, Sales, and Competition — Post-sales services — Customer relations and complaints" in this section.

To protect customers privacy and information security, we have set up an information management center to protect the security of data generated during or related to business operations. We maintain three core cybersecurity elements — personnel security, policy-based security and technical security — to ensure the safety of equipment and software while supporting stable business operations. For details, please refer to the subsection headed "— Our technologies — Our IT infrastructure" in this section.

Anti-corruption

In compliance with anti-corruption laws and regulations in the jurisdictions where we operate, we have established systems and codes such as a code of business ethics for employees and an employee grievance, complaint, and whistleblowing system, which clearly define various aspects of business ethics. We conduct regular anti-corruption and business ethics training for all employees and require each business unit to carry out periodic or ad hoc internal anti-corruption audits. Additionally, we organize annual self-inspections, summarizations, and management improvements to ensure ongoing monitoring and control of corruption and business ethics risks, supporting our Company's sound operations.

We have clarified the whistleblowing mechanism and handling process for corrupt practices and established a mutual supervision mechanism among employees, as well as a reporting system for suppliers and customers. We also maintain strict confidentiality regarding whistleblower information to safeguard their legitimate rights and interests.

Social charitable efforts

We prioritize corporate social responsibility alongside business success, believing that long-term development is linked to societal contributions. Our public welfare initiatives focus on education support, health promotion, and environmental protection, guided by the principle of "working together to create and share value."

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board of Directors and senior management are responsible for devising and supervising the execution and efficacy of our internal control framework. This framework is meticulously structured to guarantee continuous adherence to pertinent legal and regulatory mandates that govern our business activities and corporate governance, thereby preventing any compliance failures. Our conviction remains firm that the existing internal control mechanisms and procedures are adequate in scope, feasibility, and operational effectiveness.

In the regular course of our business activities, we are inherently exposed to a range of risks, encompassing operational, market, and financial risks. Recognizing these exposures, we firmly believe that implementing robust and adaptable risk management strategies is essential to our long-term success. Through this approach, we aim to mitigate risks, safeguard our operations against potential adversities, and secure our competitive edge and financial stability. For details on these risks, please refer to the section headed "Risk factors — Risks relating to our business and industry" in this Document.

For the purpose of effective risk management, we will adopt or have put in place the following measures:

- The Board of Directors is tasked with the comprehensive assessment of risks inherent to our Group's operations, ensuring that all major decisions with significant risk implications are subjected to their scrutiny and consent. This includes the critical evaluation of transactions with non-approved suppliers;

- Through the cultivation of strong, positive relationships with our established suppliers and customers, we aim to periodically broaden our customer and supplier base, thereby mitigating operational risks associated with dependency on a singular entity;

- In alignment with our Group's interests and where it proves economically feasible, we proactively seek to forge diverse agreements that expand our supplier network;

- Our management team is committed to vigilantly observing market trends, including fluctuations in raw material and component pricing, to consistently benchmark our procurement expenses against prevailing market rates, ensuring competitive access to raw materials, parts, and components;

- We uphold stringent IT controls to significantly reduce the likelihood of IT system failures, safeguarding our operational integrity;

- To attract and retain skilled professionals, we regularly evaluate and adjust our compensation structures for management and staff, ensuring they remain competitive and congruent with the Group's strategic growth;

- Our Directors maintain diligent oversight of our Group's liquidity and financial health, prepared to secure financing to support our business activities and expansion initiatives when deemed necessary and advantageous; and

- Upon [**REDACTED**], the Audit Committee will comprise three members, namely Mr. Yao Minglong (chairman), Mr. Liu Guisong and Ms. Yuen Shuk Yee, with Ms. Yuen Shuk Yee also being our Director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, (i) Mr. Gerald G Wong indirectly controlled approximately 13.64% of our A Shares held by CIG Cayman (a company wholly owned by Mr. Gerald G Wong); (ii) Mr. Zhao Haibo indirectly controlled approximately 2.78% of our A Shares held by Kangling Technology. The executive partner of Kangling Technology is Mr. Zhao Haibo (holding 19.80% partnership interest in it), and its limited partners consist of Ms. Qin Yan (Mr. Zhao Haibo's spouse, holding 0.20% partnership interest in it) and Kangling Management (a limited partnership holding 80.00% partnership interest in it). The executive partner of Kangling Management is Mr. Zhao Haibo (holding 90.00% partnership interest in it) and its limited partner is Ms. Qin Yan (Mr. Zhao Haibo's spouse, holding 10.00% partnership interest in it); and (iii) Mr. Gerald G Wong and Mr. Zhao Haibo are parties acting in concert pursuant to the Concert Party Agreement. For details of the Concert Party Agreement, see "History, Development and Corporate Structure — Major Shareholding Changes in Our Company — Concert Party Agreement in 2017".

Pursuant to the PRC Company Law and related regulations promulgated by the CSRC, CIG Cayman is our controlling Shareholder and its sole shareholder, Mr. Gerald G Wong, is our *de facto* controller. Pursuant to the Hong Kong Listing Rules and Chapter 1.1C of the Guide for New Listing Applicants, Mr. Gerald G Wong, CIG Cayman, Mr. Zhao Haibo, Ms. Qin Yan, Kangling Technology and Kangling Management constitute our Single Largest Group of Shareholders, holding in aggregate approximately 16.42% of our A Shares as of the Latest Practicable Date.

Immediately following the completion the [**REDACTED**], the Single Largest Group of Shareholders will in aggregate hold approximately [**REDACTED**]% of our Shares (assuming the [**REDACTED**] is not exercised, the options granted under the 2024 Share Option Incentive Scheme are not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]). Therefore, upon [**REDACTED**], they will remain as our Single Largest Group of Shareholders and our Company will not have any controlling shareholder as defined under the Hong Kong Listing Rules.

Apart from their respective investment (directly or indirectly) in our Company, none of the Single Largest Group of Shareholders has engaged in other business or operation.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Single Largest Group of Shareholders and their close associates after [**REDACTED**].

Management Independence

We are able to conduct our business independently from the Single Largest Group of Shareholders from a management perspective. Our Board consists of eight Directors, including four executive Directors and four independent non-executive Directors. Mr. Gerald G Wong and Mr. Zhao Haibo, who are members of the Single Largest Group of Shareholders, are also our executive Directors.

Our Directors are of the view that our Company is able to function independently from the Single Largest Group of Shareholders for the following reasons:

1. our daily management and operations are carried out by all our executive Directors and the senior management with assistance from our core technical staff, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. Saved for Mr. Gerald G Wong and Mr. Zhao Haibo, none of the other Directors, Supervisors or senior management of our Company are members of the Single Largest Group of Shareholders or hold any position in the Single Largest Group of Shareholders. For details of the industry experience of our executive Directors and the senior management, see "Directors, Supervisors and Senior Management";

2. each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

3. we have four independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and

4. we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Single Largest Group of Shareholders which would support our independent management. Please refer to the subsection headed "— Corporate Governance" in this section for details.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Single Largest Group of Shareholders and their close associates after the [**REDACTED**].

Operational Independence

We do not rely on the Single Largest Group of Shareholders and their close associates for our operations. While we are led by our executive Directors (two out of whom are also members of the Single Largest Group of Shareholders) and other senior management, we have our own departments specializing in business development, research and development, administration, finance, internal audit, information technology, sales and marketing, human resources, legal and compliance, and company secretarial functions. Such departments specialize in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Single Largest Group of Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to conduct and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

As of the Latest Practicable Date, we did not expect to have any continuing connected transactions in the ordinary and usual course of business with any of the Single Largest Group of Shareholders or their respective associates upon [**REDACTED**].

Based on the above, our Directors believe that we are able to operate independently from the Single Largest Group of Shareholders and their close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department. We do not expect to rely on the Single Largest Group of Shareholders and their close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [**REDACTED**] from the [**REDACTED**].

No loan or guarantee has been provided by, or granted to, the Single Largest Group of Shareholders or their close associates during the Track Record Period and as of the Latest Practicable Date.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Single Largest Group of Shareholders and their close associates.

Independence undertaking

On May 20, 2016, Mr. Gerald G Wong, CIG Cayman, CIG Holding, Mr. Zhao Haibo and Kangling Technology respectively executed a letter of undertaking in favor of our Company with irrevocable effect from the date of the letter to avoid competition with our business, pursuant to which, each of the above undertaking parties had undertaken that:

1. he/it and the enterprises that he/it holds and (or) participates in, other than our Company and its controlling enterprises, are not currently engaged in any business or activities, in any form, that constitute or may constitute direct or indirect competition with the principal business of our Company and its controlling enterprises.

2. after the A Shares listing of our Company, he/it and the controlling enterprises that he/it holds and (or) participates in, other than our Company and its controlling enterprises, will not: (i) engage in any business or activities, in any form, that constitute or may constitute direct or indirect competition with the principal business currently or in the future carried out by our Company and its controlling enterprises; (ii) support, in any form, any enterprises other than our Company and its controlling enterprises to engage in business or activities that constitute or may constitute competition with the principal business currently or in the future carried out by our Company and its controlling enterprises; or (iii) otherwise interfere in any business or activities that constitute or may constitute competition with the principal business currently or in the future carried out by the issuer and its controlling enterprises.

3. in addition to the above commitments, he/it further undertakes to: (i) ensure, in accordance with relevant laws and regulations, the independence of our Company in terms of assets, business, personnel, finance and organizational structure; (ii) take lawful and effective measures to procure that any companies, enterprises, or other economic organizations under his/its control do not directly or indirectly engage in the same or similar business as that of our Company; and (iii) refrain from using his/its position as the controlling shareholder of our Company to engage in any activities that would harm the interests of the issuer and other shareholders. Furthermore, he/it is willing to be liable for any economic losses caused to our Company as a result of any breach of the above commitments and undertakings.

INTERESTS OF OUR SINGLE LARGEST GROUP OF SHAREHOLDERS IN OTHER BUSINESSES

Each member of the Single Largest Group of Shareholders confirms that as of the Latest Practicable Date, he/she/it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the CG Code, which sets out principles of good corporate governance, upon [**REDACTED**].

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Single Largest Group of Shareholders:

1. where a Shareholders' meeting is to be held for considering proposed transactions in which the Single Largest Group of Shareholders or any of their respective associates has a material interest, the Single Largest Group of Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

2. our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with a member of the Single Largest Group of Shareholders or any of their respective associates, our Company will comply with the applicable Listing Rules;

3. we are committed that our Board shall include a balanced composition of executive Directors and independent non-executive Directors. We have appointed four independent non-executive Directors, and believe our independent non-executive Directors (i) possess sufficient and diverse experiences, (ii) are free of any business

or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;

4. where our Directors reasonably request the advice of independent professionals, such as financial advisers, valuers or legal advisers, the appointment of such independent professionals will be made at our Company's expenses; and

5. we have appointed the Compliance Adviser to provide advice and guidance to us in respect of compliance with the Hong Kong Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage any conflicts of interest between our Group and the Single Largest Group of Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

OVERVIEW

Our Board currently consists of eight Directors, comprising four executive Directors and four independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The PRC Company Law provides that a joint stock limited company may establish a supervisory committee, which shall be primarily responsible for examining the company's financial affairs and supervising the conduct of directors and senior management personnel in the performance of their duties. Our Supervisory Committee consists of three Supervisors including two employee representative Supervisors. Our Supervisors are elected for a term of three years and may be subject to re-election.

Our senior management is responsible for the daily operations of our Company.

DIRECTORS

The following table provides information about our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Gerald G Wong	71	Executive Director, chairman of our Board and general manager (chief executive officer)	May 2005	October 29, 2010	Formulating the overall development strategies and overseeing the daily operations of our Group
Mr. Zhao Haibo (趙海波先生) . . .	50	Executive Director, deputy general manager, chief technology officer	August 2005	December 7, 2011	Participating in the strategic decision-making; formulating and executing technical strategies and leading our technical team
Mr. Zhao Hongwei (趙宏偉先生) . . .	52	Executive Director, chief operating officer, manager of hardware R&D division and procurement officer	December 2005	May 17, 2024	Responsible for procurement, planning, IT and hardware platform management

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Zhang Jie (張傑先生)	44	Executive Director, manager of broadband products division	October 2009	June 28, 2022	Participating in the material decision-making; formulating product strategies and business objectives and managing daily operations of the division
Mr. Qin Guisen (秦桂森先生) . . .	48	Independent non-executive Director	May 2021	May 28, 2021	Supervising and providing independent opinions and advice to our Board
Mr. Liu Guisong (劉貴松先生) . . .	52	Independent non-executive Director	January 2020	January 13, 2020	Supervising and providing independent opinions and advice to our Board
Mr. Yao Minglong (姚明龍先生) . . .	61	Independent non-executive Director	May 2021	May 28, 2021	Supervising and providing independent opinions and advice to our Board
Ms. Yuen Shuk Yee (袁淑儀女士) . . .	53	Independent non-executive Director	April 2025	April 28, 2025, with effect from the [**REDACTED**]	Supervising and providing independent opinions and advice to our Board

Executive Directors

Mr. Gerald G Wong, aged 71, is our founder, an executive Director, the chairman of our Board, and the general manager (chief executive officer) of our Company, primarily responsible for formulating the overall development strategies and overseeing the daily operations of our Group. Mr. Wong founded our Group in May 2005 and has been our Director since October 2010, the chairman of our Board and the general manager (chief executive officer) of our Company since December 2011. He concurrently holds the positions of executive director, chairman, and/or general manager of the fifteen subsidiaries of our Company, and is a director of CIG Cayman (one of our Single Largest Group of Shareholders) and CIG Holding (a then Shareholder).

Mr. Wong has over 40 years of experience in the telecommunications and communications industry. Before joining our Group, he served at AT&T Bell Labs (later became Lucent Technologies Bell Labs) and a vice president of Lucent Technologies from 1984 to 2000, where he was responsible for developing and managing network department products. In 2000, Mr. Wong co-founded Photonic Bridges China Co., Ltd.* (光橋科技(中國)有限公司), a company specializing in the research, development, production, and sales of SDH optical transmission products for optical communication, and served as the company's legal representative from 2000 to 2005, during which he led operations, team management, and financial and business risk control.

Mr. Wong earned both his bachelor's and master's degrees in electrical engineering and computer science from the Massachusetts Institute of Technology (MIT) in June 1985.

Mr. Zhao Haibo (趙海波先生), aged 50, is an executive Director, the deputy general manager, and chief technology officer of our Company, primarily responsible for participating in the strategic decision-making, formulating and executing technical strategies, and leading our technical team. Mr. Zhao joined our Group in August 2005 and has been the chief technology officer of our Company since March 2006, our Director since December 2011 and our deputy general manager since June 2012. He also serves as the executive partner of Kangling Technology and Kangling Management.

Before joining our Group, Mr. Zhao served as a manager of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 8205) from March 1999 to September 2001. He then served as a manager at Photonic Bridges China Co., Ltd.* (光橋科技(中國)有限公司), a company specializing in the research, development, production, and sales of SDH optical transmission products for optical communication, from October 2001 to September 2005.

Mr. Zhao obtained a bachelor's degree in communication engineering from Shanghai Jiao Tong University in July 1996, and a master's degree in communications and information systems from the same university in March 1999.

Mr. Zhao Hongwei (趙宏偉先生), aged 52, is an executive Director, the manager of hardware R&D division, the procurement officer and the chief operating officer of our Company, primarily responsible for procurement, planning, IT and hardware platform management. Mr. Zhao joined our Group in December 2005 and has been the manager of hardware R&D division since March 2006, the procurement officer since September 2018, our Director since May 2024 and the chief operating officer of our Company since June 2024.

Before joining our Group, Mr. Zhao served as a hardware research and development manager at ZTE Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 763) and the Shenzhen Stock Exchange (stock code: 000063), from August 2000 to August 2005, where he was primarily responsible for managing the 3G wireless network controller hardware team. From August 2005 to December 2005, Mr. Zhao worked for Luminous Networks Technology (Shanghai) Co., Ltd.* (絡明網絡技術(上海)有限公司).

Mr. Zhao obtained a bachelor's degree in chemical equipment and machinery from Qiqihar University (formerly known as Qiqihar Light Industry College) in July 1995, a master's degree in electromechanical control and automation from Harbin Institute of Technology in July 1997, and a doctorate in mechatronics engineering from Harbin Institute of Technology in July 2000.

Mr. Zhang Jie (張傑先生), aged 44, is an executive Director and the manager of broadband products division of our Company, primarily responsible for participating in the material decision-making, formulating product strategies and business objectives, and managing the daily operations of the broadband products division. Mr. Zhang joined our Group in October 2009 and successively served as the product line manager, the manager of product management division, the deputy manager and the manager of broadband products division since then, and has been our Director since June 2022.

Prior to joining our Group, from September 2007 to November 2007, Mr. Zhang served as an embedded software engineer and a broadband product system engineer at Shanghai research and development center of ZTE Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 763) and the Shenzhen Stock Exchange (stock code: 000063), where he was responsible for the development of embedded software for network equipment and the design of hardware and software system architecture for network equipment. From December 2007 to September 2009, Mr. Zhang worked as a product line manager at Dare Power Dekor Home Co., Ltd.* (大亞聖象家居股份有限公司, formerly known as Daya Technology Co., Ltd.* (大亞科技股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000910), where he oversaw product line planning, life cycle management, and product promotion for network equipment.

Mr. Zhang received a bachelor's degree in electronic science and technology from Southeast University in June 2001, and a master's degree in physical electronics from the same university in May 2004.

Independent non-executive Directors

Mr. Qin Guisen (秦桂森先生), aged 48, has been an independent Director of our Company since May 2021, primarily responsible for supervising and providing independent opinions and advice to our Board. Mr. Qin is currently a lawyer and partner at Grandall Law Firm (Shanghai), where he specializes in capital markets practice.

From September 2003 to June 2006, Mr. Qin served as a clerk and judge at the Qingdao Maritime Court.

Mr. Qin obtained a bachelor's degree in law from Party School of the Central Committee of the Communist Party of China in July 1999, and a master's degree in law from Yantai University in July 2003. He was granted a lawyer's practice qualification certificate by the Shanghai Municipal Bureau of Justice in June 2006 and an independent director qualification certificate by the Shanghai Stock Exchange in April 2014.

Mr. Liu Guisong (劉貴松先生, former name was 劉桂松), aged 52, has been an independent Director of our Company since January 2020, primarily responsible for supervising and providing independent opinions and advice to our Board. Mr. Liu is currently the dean of the School of Computer and Artificial Intelligence at Southwestern University of Finance and Economics, where he oversees the development and financial management of the computer science discipline.

From September 2015 to December 2015, Mr. Liu was a visiting scholar at the Department of Computer Science at Humboldt University in Germany. From March 2019 to March 2021, he served as the dean of the School of Computer Science at Zhongshan Institute, University of Electronic Science and Technology of China, overseeing the development and financial management of the computer science discipline. From April 2000 to December 2020, Mr. Liu held various academic roles at the University of Electronic Science and Technology of China, including associate professor, professor, and doctoral supervisor, with a focus on scientific research and talent development.

Mr. Liu obtained a bachelor's degree in engineering mechanics from Xi'an Jiaotong University in July 1995, a master's degree in control theory and control engineering from the University of Electronic Science and Technology of China in April 2000, and a doctorate in computer system architecture from the same university in December 2007. Mr. Liu was awarded the title of Professor by the University of Electronic Science and Technology of China in July 2017. Mr. Liu is also a member of the Institute of Electrical and Electronics Engineers and the China Computer Federation (CCF), a member of the University Computer Teaching Steering Committee of the Ministry of Education, an expert of engineering education accreditation in China, and a correspondence review expert of China Academic Degrees and Graduate Education Development Center.

Mr. Yao Minglong (姚明龍先生), aged 61, has been an independent Director of our Company since May 2021, primarily responsible for supervising and providing independent opinions and advice to our Board. Mr. Yao is currently an associate professor of the Department of Accounting at the School of Management, Zhejiang University.

Mr. Yao has served as an independent director of Hangzhou HOTA M&E Industry Co., Ltd. (杭州和泰機電股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 001225), since October 2020, and as an independent director of Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603103), since June 2021. Mr. Yao served as an independent director of Apeloa Pharmaceutical Co., Ltd. (普洛藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000739), from May 2015 to April 2021.

Mr. Yao obtained a doctorate in agricultural economics and management from Zhejiang Agricultural University in July 1997. He was awarded the title of Associate Professor by Zhejiang University in December 1996.

Ms. Yuen Shuk Yee (袁淑儀女士), aged 53, was appointed as an independent non-executive Director of our Company in April 2025 with effect from the [**REDACTED**], primarily responsible for supervising and providing independent opinions and advice to our Board.

Ms. Yuen has over 20 years of experience in overseeing financial planning, internal control, tax analysis, financial reporting, corporate governance practices and corporate restructuring. From 2001 to 2008, Ms. Yuen held various managerial positions in the accounting department of China Daye Non-Ferrous Metals Mining Limited (formerly known as China National Resources Development Holdings Limited), a company listed on the Hong Kong Stock Exchange (stock code: 661) with her last position as chief financial officer. Ms. Yuen served as a financial controller and company secretary of DT Capital Limited (formerly known as Incutech Investments Limited), a company listed on the Hong Kong Stock Exchange (stock code: 356) from 2008 to 2014; a financial controller and company secretary of Kirin Group Holdings Limited (formerly known as Creative Energy Solutions Holdings Limited), a company then listed on the Hong Kong Stock Exchange (then stock code: 8109 and delisted in 2023) from 2010 to 2011 and from 2014 to 2015; a financial controller and company secretary of China Huandao Group Hong Kong Limited* (中國寰島集團香港有限公司) from 2016 to 2017, as appointed by its fully owned shareholder China Chengtong Development Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 217); and a financial manager of China Uptown Group Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2330) from 2023 to 2024.

Ms. Yuen obtained an honours diploma in accounting from Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) in July 1995. Ms. Yuen has been an associate member and a fellow member of the Association of International Accountants since October 2001 and November 2014, respectively; and an associate member of the Hong Kong Institute of Certified Public Accountants since January 2003.

SUPERVISORS

The following table provides information about our Supervisors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Supervisor	Roles and responsibilities
Ms. Yin Ying (印櫻女士)	46	Chairwoman of our Supervisory Committee	June 2016	May 17, 2024	Supervising the finances of our Group and exercising supervision over our Directors and senior management
Ms. Wang Huan (王歡女士)	37	Employee representative Supervisor	September 2013	May 17, 2024	Supervising the finances of our Group and exercising supervision over our Directors and senior management
Ms. Yuan Yuan (袁媛女士)	38	Employee representative Supervisor	June 2015	April 25, 2023	Supervising the finances of our Group and exercising supervision over our Directors and senior management

Ms. Yin Ying (印櫻女士), aged 46, is the chairman of the Supervisory Committee of our Company and has served as a Supervisor since May 2024, primarily responsible for supervising the finances of our Group and exercising supervision over our Directors and senior management.

From July 2001 to July 2003, Ms. Yin worked as a quality control specialist at Shanghai Nongshim Foods Co., Ltd.* (上海農心食品有限公司), a company specializing in the production and sales of instant noodles, snack foods, and the import and export of related goods. From April 2004 to May 2016, Ms. Yin served as a foreign trade supervisor at Shanghai Han Technology Group Co., Ltd. (上海瀚氏科技集團有限公司, formerly known as Shanghai Han Moulding Shape Co., Ltd.* (上海瀚氏模具成型有限公司)), a company specializing in the design and manufacture of injection molds, automotive gauges, and the production and secondary processing of plastic products. Ms. Yin joined our Group in June 2016 and has served as a marketing and commercial specialist and later as a marketing and commercial supervisor, primarily responsible for the delivery of photonics orders in the United States.

Ms. Yin obtained a bachelor's degree in storage, transportation, and processing of agricultural products from Shanghai Jiao Tong University in July 2001.

Ms. Wang Huan (王歡女士), aged 37, has served as a Supervisor of our Company since May 2024, primarily responsible for supervising the finances of our Group and exercising supervision over our Directors and senior management.

From September 2011 to September 2012, Ms. Wang worked as a structural designer at FIH Precision Component (Beijing) Co., Ltd.* (富智康精密組件(北京)有限公司, formerly known as Foxconn Precision Components (Beijing) Company Limited* (富士康精密組件(北京)有限公司)), a company engaged in the manufacturing and sales of electronic products and related equipment, technology research and development, as well as the production of medical devices. Ms. Wang joined our Group in September 2013 as a procurement executive engineer, mainly responsible for managing procurement orders, tracking deliveries, and handling reconciliation.

Ms. Wang obtained a bachelor's degree in material forming and control engineering from Xi'an Polytechnic University in July 2011.

Ms. Yuan Yuan (袁媛女士), aged 38, has served as a Supervisor of our Company since April 2023, primarily responsible for supervising the finances of our Group and exercising supervision over our Directors and senior management.

From July 2008 to April 2010, Ms. Yuan worked as a customer assistant at Duncan Property Management (Shanghai) Company Limited* (頓肯物業管理(上海)有限公司), a company engaged in real estate development, sales, consulting, agency services, property maintenance, and building materials sales. From July 2010 to November 2010, Ms. Yuan worked for Shanghai Sanlion Electronic Equipment Co., Ltd.* (上海湘榮電子設備有限公司). From December 2010 to March 2011, she served as an administrative assistant at Shanghai Feilo Newcon Information System Co., Ltd.* (上海飛樂紐康信息系統有限公司), a company specializing in software design and development, the design, production, and sales of related equipment, and the provision of technical services. From March 2011 to June 2015, Ms. Yuan worked as a project general affairs officer at Shanghai Lingxiang Architectural Decoration Engineering Co., Ltd.* (上海菱想建築裝飾工程有限公司), a company engaged in architectural decoration, interior and exterior design, landscaping, water and electricity installation, and building materials sales, where she was mainly responsible for administrative, human resources, and cashier-related work. Ms. Yuan joined our Group in June 2015 and has been serving as an order execution specialist, primarily responsible for system process support related to ordering and shipping.

Ms. Yuan obtained a college degree in Japanese (Business Japanese) from Shanghai Jian Qiao University in July 2008.

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

Name	Age	Positions	Date of joining our Group	Date of appointment as a member of senior management	Roles and Responsibilities
Mr. Gerald G Wong.	71	Executive Director, chairman of our Board and general manager (chief executive officer)	May 2005	December 7, 2011	Formulating the overall development strategies and overseeing the daily operations of our Group
Mr. Zhao Haibo (趙海波先生) . . .	50	Executive Director, deputy general manager, chief technology officer	August 2005	June 26, 2012	Participating in the strategic decision-making; formulating and executing technical strategies and leading our technical team
Mr. Jin Zeqing (金澤清先生) . . .	53	Deputy general manager, secretary to our Board, and strategic consultant	May 2024	May 17, 2024	Responsible for securities affairs, public relations, internal audit, and legal affairs of our Group
Mr. Cheng Gucheng (程谷成先生) . . .	36	Deputy general manager, financial officer	January 2020	January 6, 2020	Responsible for financial management, accounting, and supervision, coordinating financial planning, budgeting, cost, and tax matters, participating in major decision-making and daily operations

For the biographies of Mr. Gerald G Wong and Mr. Zhao Haibo, see the subsection headed "— Directors — Executive Directors" above.

Mr. Jin Zeqing (金澤清先生), aged 53, has served as the deputy general manager, secretary to our Board, and a strategic consultant of our Company since May 2024, primarily responsible for the securities affairs, public relations, internal audit, and legal affairs of our Group. Mr. Jin is currently also an executive director and the chief financial officer of Shanghai Shangjin Huiqun Enterprise Management Consulting Co., Ltd.* (上海上金慧群企業管理諮詢有限公司).

From July 2006 to November 2009, Mr. Jin served as the head of the human resources department at Zhejiang Huayou Cobalt Co., Ltd.* (浙江華友鈷業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603799), where he was mainly responsible for personnel management and worked as an expatriate employee in Africa. From January 2010 to July 2011, Mr. Jin served as the deputy manager of the human resources and administration department at Shanghai Pengxin Mining Investment Co., Ltd.* (上海鵬欣礦業投資有限公司), a company primarily engaged in mining, non-ferrous metal smelting, and manufacturing, where he was responsible for organizing expatriate assignments to Africa. From March 2013 to June 2018, he served as a director, the vice president, and the secretary to the board of Deluxe Family Co., Ltd.* (華麗家族股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600503), where he was mainly responsible for securities, auditing, and investment matters. From July 2018 to May 2024, he served as the chief strategic consultant at Beijing Ruize Hengye Investment Management Co., Ltd.* (北京睿澤恒業投資管理有限公司), a company engaged in investment business, where he was responsible for investment management.

Mr. Jin obtained a bachelor's degree in law (distance learning) from The Open University of China (formerly known as China Central Radio and TV University) in July 2006 and a master's degree in business administration (distance learning) from The Open University of Hong Kong in December 2009. He was granted the qualifications of board secretary and independent director by the Shanghai Stock Exchange in November 2014 and April 2017, respectively. In April 2020, he also received the qualification of independent director for the STAR Market from the corporate training department of the Shanghai Stock Exchange. Throughout his career, Mr. Jin has received numerous honors, including "Excellent Board Secretary", "Best Board Secretary", "Gold Board Secretary", and "Most Innovative Board Secretary" awarded by securities and economic media.

Mr. Cheng Gucheng (程谷成先生), aged 36, joined our Group in January 2020 and served as the deputy general manager and the financial officer of our Company (up to his resignation in November 2021 due to personal work arrangement). In August 2024, Mr. Cheng was re-appointed as the deputy general manager and the financial officer of our Company, primarily responsible for financial management, accounting and supervision, coordinating financial planning, budgeting, cost, tax matters, participating in major decision-making and daily operations.

From October 2011 to January 2020, Mr. Cheng served as an assistant audit manager and audit manager at KPMG Huazhen LLP Shanghai Branch, primarily responsible for managing on-site PRC statutory audits and overseeing overseas group reporting audit services, and providing consulting services related to accounting and financial management in daily operations. During this period, Mr. Cheng was assigned and worked at KPMG AZSA LLC (Osaka Branch), from September 2015 to September 2018, as an assistant audit manager where he was responsible for on-site management and overall communication for Japan statutory audits and PRC subsidiary group reporting audit services, as well as providing consulting services in accounting and management. From December 2021 to July 2024, Mr. Cheng served as the financial director at Shanghai Dafugui Restaurant Co., Ltd.* (上海大富貴酒樓有限公司), a catering company specializing in specialty snacks, dim sum, cooked food, Shanghai-style Anhui cuisine, and selected new retail products, where he was responsible for the company's financial management, accounting, and supervision, coordinating financial planning, budgeting, cost management, and taxation, and also participated in major decision-making, provided financial support, and assisted in managing daily operations.

Mr. Cheng obtained a bachelor's degree in international economics and trade (Japanese) from the School of Japanese Studies at Shanghai International Studies University in July 2011. He obtained the qualification of Certified Public Accountant in China from the Shanghai Institute of Certified Public Accountants in 2014, and the qualification of Certified Public Accountant in Australia from CPA Australia in February 2021.

None of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors or members of senior management. Save as disclosed in this section, (i) none of our Directors, Supervisors and members of senior management held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this Document; (ii) to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there were no other matters with respect to the appointment of our Directors and Supervisors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Jin Zeqing and Ms. So Lai Shan have been appointed as our joint company secretaries. See "— Senior Management" above for Mr. Jin Zeqing's biography.

Ms. So Lai Shan joined Vistra Corporate Services (HK) Limited since May 2021 and is currently serving as a manager of corporate services. Ms. So has over 10 years of experience in the corporate services industry. Currently, she is a joint company secretary of Beijing Airdoc Technology Co., Ltd, a company listed on the Hong Kong Stock Exchange (stock code: 2251) and the company secretary of Haichang Ocean Park Holdings Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2255). Ms. So obtained a master of corporate governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). She has been an associate member of The Chartered Governance Institute in United Kingdom and The Hong Kong Chartered Governance Institute since November 2014.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Hong Kong Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules in April 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Hong Kong Listing Rules.

Rule 3.13 of the Hong Kong Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Hong Kong Listing Rules, (ii) he or she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Hong Kong Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his/her appointments.

DISCLOSURE UNDER RULE 8.10(2) OF THE HONG KONG LISTING RULES

As of the Latest Practicable Date, none of our Directors had interests in any business, which competes or is likely to compete directly or indirectly with our business for the purpose of Rule 8.10(2) of the Hong Kong Listing Rules.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

We have established four board committees in accordance with the relevant laws and regulations in mainland China, the Articles of Association and the CG Code, namely the Strategy and ESG Committee, the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee. The functions of the four committees are summarized as follows:

Strategy and ESG Committee

We have established a Strategy and ESG Committee with written terms of reference. The primary duties of the Strategy and ESG Committee are to research and make recommendations on our medium and long term development strategies, major investment decisions and sustainable development strategies, and ensure ESG factors are fully taken into account in our strategic planning and decision-making process. The Strategy and ESG Committee comprises five members, namely Mr. Gerald G Wong (chairman), Mr. Zhao Haibo, Mr. Zhang Jie, Mr. Zhao Hongwei and Mr. Qin Guisen.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board in independently reviewing our financial status and the implementation and effectiveness of the internal control system, and be responsible for compliance control of our operation management and investment business, reviewing and supervising our internal audit work, as well as independent communication, supervision and verification with the internal auditor and external auditor. The Audit Committee currently comprises three members, namely Mr. Yao Minglong (chairman), Mr. Liu Guisong and Mr. Zhang Jie. Upon [**REDACTED**], the Audit Committee will comprise three members, namely Mr. Yao Minglong (chairman), Mr. Liu Guisong and Ms. Yuen Shuk Yee, with Ms. Yuen Shuk Yee also being our Director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Hong Kong Listing Rules and the CG Code. The primary duties of the Nomination Committee are to select and make recommendations on the candidates, selection criteria and procedures for our Directors and senior management. The Nomination Committee currently comprises three members, namely Mr. Qin Guisen (chairman), Mr. Zhao Haibo and Mr. Liu Guisong. Upon [**REDACTED**], the Nomination Committee will comprise three members, namely Mr. Qin Guisen (chairman), Mr. Zhao Haibo and Ms. Yuen Shuk Yee.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Hong Kong Listing Rules and the CG Code. The primary duties of the Remuneration and Evaluation Committee are to formulate the evaluation criteria for our senior management and conduct assessments, formulate and review the compensation policies and plans for our Directors and senior management. The Remuneration and Evaluation Committee comprises three members, namely Mr. Liu Guisong (chairman), Mr. Gerald G Wong and Mr. Yao Minglong.

CG Code

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the CG Code after the [**REDACTED**], save that Mr. Gerald G Wong will serve as both our chairman and chief executive as discussed below.

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.

Board Diversity

We have adopted our board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board. Our Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the CG Code. After [**REDACTED**], our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on an annual basis.

Our Board comprises eight members, including four executive Directors and four independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Directors, ranging from 44 years old to 71 years old, are able to bring a balance of diversity perspectives to our Board. We have taken steps to promote gender diversity of our Board and currently one of our Directors is female. Going forward, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our

Group's business plans, we will actively identify female individuals suitably qualified to become our Board members and we aim to maintain at least one female Director on our Board, subject to our Directors: (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of our Company and our Shareholders as a whole when deliberating on the appointment. Our Board and our Nomination Committee will assess our Board composition annually in accordance with the CG Code. We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to further enhance the effectiveness of our corporate governance. Going forward and with a view to developing a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out above, we will: (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management members who have the necessary skills and experience to our Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to senior management or our Board so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

WAIVERS [GRANTED] BY THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] (i) a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules in relation to the requirement of management presence in Hong Kong, and (ii) a waiver from strict compliance with Rules 3.28 and 8.17 of the Hong Kong Listing Rules in relation to the academic or professional qualifications of our Company's joint company secretaries. See "Waivers from Strict Compliance with the Hong Kong Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" for further details.

REMUNERATION

Our Directors, Supervisors and senior management receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, wages, share-based compensation, contributions to pension plans, benefits-in-kind and discretionary bonuses.

For the years ended December 31, 2022, 2023, and 2024, the total emoluments paid to our then Directors amounted to approximately RMB7.3 million, RMB7.7 million and RMB7.3 million, respectively.

For the years ended December 31, 2022, 2023, and 2024, the total emoluments paid to our then Supervisors amounted to approximately RMB1.6 million, RMB1.7 million and RMB1.1 million, respectively.

For the years ended December 31, 2022, 2023, and 2024, the total emoluments paid to the five highest paid individuals (including one, one and one Director) by us amounted to RMB13.5 million, RMB13.6 million and RMB11.9 million, respectively.

Based on the current arrangements in force as of the Latest Practicable Date, it is estimated that the total remuneration for our Directors (including independent non-executive Directors) and Supervisors for the year ending December 31, 2025 will be approximately RMB7.8 million. The actual total remuneration of Directors and Supervisors for the year ending December 31, 2025 may be different from the expected remuneration as the discretionary bonuses will be determined based on the results of our Company for the year ending December 31, 2025.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group. Furthermore, none of our Directors or Supervisors had waived or agreed to waive any emoluments during the same periods.

Our Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management which, following the [**REDACTED**], will receive recommendation from the Remuneration and Evaluation Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management and performance of our Group.

SHARE INCENTIVE SCHEMES

In order to improve corporate governance structure and incentivize our employees, we adopted various share incentive schemes since the Listing of A Shares. As of the Latest Practicable Date, the 2022 Restricted Share Incentive Scheme and the 2024 Share Option Incentive Scheme were still in effect. See "Statutory and General Information — Our Share Incentive Schemes" in Appendix VI to this Document for details.

COMPLIANCE ADVISER

We have appointed Goutai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this Document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this Document; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the [**REDACTED**] or [**REDACTED**] of its [**REDACTED**] securities or any other matters in accordance with Rule 13.10 of the Hong Kong Listing Rules.

The term of appointment of the compliance adviser shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [**REDACTED**] and assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**], the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

				Assuming that the [REDACTED] is not exercised		Assuming that the [REDACTED] is fully exercised	
Name of Shareholder	Nature of interest	Number and class of Shares held	Shareholding in our total issued Shares as of the Latest Practicable Date	Shareholding in our A Shares immediately after the [REDACTED]	Shareholding in our total issued Shares immediately after the [REDACTED]	Shareholding in our A Shares immediately after the [REDACTED]	Shareholding in our total issued Shares immediately after the [REDACTED]
Mr. Gerald G Wong . . .	(i) Interest in controlled corporation[1]	36,556,453 A Shares	13.64%	13.64%	[REDACTED]%	13.64%	[REDACTED]%
	(ii) Interest held jointly with other persons[2]	7,451,076 A Shares	2.78%	2.78%	[REDACTED]%	2.78%	[REDACTED]%
CIG Cayman .	Beneficial owner[1]	36,556,453 A Shares	13.64%	13.64%	[REDACTED]%	13.64%	[REDACTED]%
Mr. Zhao Haibo . . .	(i) Interest in controlled corporation[3]	7,451,076 A Shares	2.78%	2.78%	[REDACTED]%	2.78%	[REDACTED]%
	(ii) Interest held jointly with other persons[2]	36,556,453 A Shares	13.64%	13.64%	[REDACTED]%	13.64%	[REDACTED]%

Notes:

(1) Mr. Gerald G Wong was interested in 36,556,453 A Shares held by CIG Cayman, a company wholly owned by Mr. Gerald G Wong.

(2) Mr. Gerald G Wong and Mr. Zhao Haibo are parties acting in concert pursuant to the Concert Party Agreement.

(3) Kangling Technology is a limited partnership whose executive partner is Mr. Zhao Haibo (holding 19.80% partnership interest in it) and its limited partners consist of Ms. Qin Yan (Mr. Zhao Haibo's spouse, holding 0.20% partnership interest in it) and Kangling Management (holding 80.00% partnership interest in it). Thus, Mr. Zhao Haibo, by virtue of his role as the executive partner, and Kangling Management, by virtue of its role as the limited partner held more than 30% partnership interest, was deemed to be interested in all the A Shares held by Kangling Technology (i.e., 7,451,076 A Shares).

For further information on any other person who will be, immediately following completion of the [**REDACTED**], directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see "Statutory and General Information — Further Information About Our Directors, Supervisors and Substantial Shareholders — Disclosure of Interests — Interests of the Substantial Shareholders" in Appendix VI to this Document.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was 268,041,841 A Shares of nominal value of RMB1.00 each, which were all listed on the main board of the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares	268,041,841	100%

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised, the options granted under the 2024 Share Option Incentive Scheme are not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]), the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares	268,041,841	[**REDACTED**]%
H Shares to be [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100%**

Immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is fully exercised, the options granted under the 2024 Share Option Incentive Scheme are not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]), the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares	268,041,841	[**REDACTED**]%
H Shares to be [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100%**

OUR SHARES

Upon completion of the [**REDACTED**], our Shares will consist of A Shares and H Shares. The A Shares and H Shares are all ordinary Shares in the share capital of our Company. Apart from certain qualified domestic institutional investors in mainland China, the qualified investors in mainland China under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (if our H Shares are eligible securities for that purpose) and other persons who are entitled to hold our H Shares pursuant to relevant PRC Law or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or [**REDACTED**] between legal or natural persons in mainland China.

Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by investors in mainland China, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and [**REDACTED**] by investors in mainland China in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Our A Shares and H Shares are regarded as one class of Shares under the Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the [**REDACTED**]. The Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [**REDACTED**] and [**REDACTED**] on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to [**REDACTED**] H Shares and seek the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the Shareholders' general meeting of our Company held on April 28, 2025 and is subject to the following conditions:

(a) *Size of the* [**REDACTED**]. The number of H Shares to be [**REDACTED**] before the exercise of the [**REDACTED**] shall not exceed [**REDACTED**]% of the enlarged share capital of our Company upon completion of the [**REDACTED**] and granting the [**REDACTED**] the [**REDACTED**] of no more than [**REDACTED**]% of the above number of H Shares to be [**REDACTED**].

(b) *Method of* [**REDACTED**]. The method of [**REDACTED**] shall be by way of an [**REDACTED**] to institutional investors and a [**REDACTED**] in Hong Kong.

(c) *Target investors*. The H Shares shall be [**REDACTED**] to [**REDACTED**] in Hong Kong under the [**REDACTED**] and international investors, qualified domestic institutional investors in mainland China and other investors who are approved by mainland Chinese regulatory bodies to invest abroad in [**REDACTED**].

(d) [**REDACTED**] *basis*. The [**REDACTED**] of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of our Company, acceptance of [**REDACTED**] and the risks related to the [**REDACTED**], according to international practice, through the demands for [**REDACTED**] and [**REDACTED**], subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(e) *Validity period*. The [**REDACTED**] of H Shares and [**REDACTED**] of H Shares on the Hong Kong Stock Exchange shall be completed within eighteen months from the date when the Shareholders' general meeting was held on April 28, 2025.

There are no other approved [**REDACTED**] plans for our Shares except the [**REDACTED**].

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our Shareholders' general meeting is required, see "Summary of Articles of Association — Shareholders and Shareholders' Meetings" in Appendix V to this Document.

2024 SHARE OPTION INCENTIVE SCHEME

We have adopted the 2024 Share Option Incentive Scheme, the principal terms of which are summarized in "Statutory and General Information — Our Share Incentive Schemes — (b) 2024 Share Option Incentive Scheme" in Appendix VI to this Document.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the Track Record Period, together with the accompanying notes, as included in the Accountants' Report set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with the IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements as a result of various factors, including but not limited to those discussed in the section headed "Risk Factors" and elsewhere in this document.

OVERVIEW

We are an inherently global, and industry-leading, company that provides critical infrastructure components for the development of AI. According to F&S, we are one of the few global companies that are offering high-efficiency and instant connectivity solutions across photonics, broadband, and wireless technologies. We also ranked 5th in the global integrated OWCD industry in 2024, in terms of sales revenue.

Our expertise spans a diverse range of solutions in photonics, broadband, and wireless technologies, which enable efficient and real-time connectivity for the distribution and utilization of computational power and data within computing clusters, between computing clusters, and between computing clusters and users. These solutions are critical infrastructure components that support the development of AI. During the Track Record Period, we had collaborated with several globally leading partners, with whom we had maintained stable relationships for over 10 years. Moreover, our customer base as of December 31, 2024 comprised AI data centers, telecommunication operators, ICT equipment providers, MSO, and IoT solutions providers.

We believe that continuous investment in R&D is a key to maintaining our technological leadership. As of December 31, 2024, our R&D team comprised 630 members, representing over 50% of our total workforce. During the Track Record Period, our R&D expenses represented 7.1%, 8.9%, and 8.8% of our total revenue, respectively, and our cumulative R&D investments during the Track Record Period exceeded RMB1.2 billion. According to F&S, both our R&D personnel ratio and investment levels rank among the highest in the global integrated OWCD industry. We have established R&D centers in China, the United States, and Japan, forming excellent local teams that can leverage our global R&D resources.

In terms of our manufacturing capabilities, our in-house facility is recognized for its advanced and automated technologies, such as being recognized as the Innovative Enterprise Headquarters of Shanghai, the Shanghai Intelligent Factory, and one of the Shanghai Top 100 Manufacturing Enterprises. According to F&S, we were among the first in the global integrated OWCD industry to establish intelligent manufacturing facilities. By leveraging the experience accumulated at our in-house facility, and through our co-location manufacturing model, we have been able to replicate such advanced technologies and processes at our co-location sites in China, Malaysia, Europe, the United States. This enables effective control of production costs and swift adjustment of production capacity in response to industry cycles, demand surges, and potential regional risks.

BASIS OF PREPARATION

Our consolidated financial information has been prepared in accordance with the IFRS issued by the International Accounting Standards Board. All standards, amendments, interpretations and annual improvements which are effective for the accounting period commencing from January 1, 2024 have been applied by the Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss.

The preparation of our consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in Note 4 of the Accountants' Report set out in the Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

Market demand for optical and wireless connectivity devices ("OWCD")

Our business expansion and revenue growth have depended, and will continue to depend, on the global market demand of OWCD, a comprehensive suite of devices supporting critical stages across optical communication and wireless networking industry, which mainly include (i) photonic; (ii) wired broadband access devices and (iii) wireless network access devices. According to F&S, we are ranked 5th with a market share of 4.1% in the global integrated OWCD industry terms of revenue in 2024. During the Track Record Period, our revenue generated from the sales of photonics solutions, broadband solutions and wireless solutions amounted to RMB3,593.5 million, RMB2,992.3 million, and RMB3,576.6 million, accounting for 95.0%, 97.0% and 98.0% of our total revenue, respectively. According to F&S, the sales revenue of the global OWCD industry increased from USD32.4 billion in 2020 to USD54.6

billion in 2024, and is expected to further increase to USD111.8 billion in 2029, representing a CAGR of 15.4% from 2024 to 2029, driven by strong customer needs for data transmission, wired broadband access and wireless network access products. It is also expected that (i) the sales revenue of global photonics industry would reach USD41.5 billion in 2029 with a CAGR of 18.5% from 2024; (ii) the market size of global PON device industry would increase to USD11.9 billion in 2029, with a CAGR of approximately 8.8% from 2024; and (iii) the global Wi-Fi device sales revenue increased from USD13.7 billion to approximately USD16.7 billion, with a CAGR of around 5.1%, from 2020 to 2024. We believe that we are well-positioned to capitalize such market growth potential by leveraging our competitive edge and industry leadership.

Ability to continuously upgrade and expand our solution offerings

Our ability to continue to upgrade and expand our solution offerings is one of the most important factors affecting our results of operations and financial conditions. Product design, development, innovation and iteration is often a complex, time-consuming and costly process involving significant investment in R&D. In 2022, 2023, and 2024, our R&D investments amounted to RMB408.0 million, RMB400.2 million and RMB408.6 million, respectively. As of December 31, 2024, our R&D team comprised 630 employees, including 52 from overseas, which accounted for over 50% of our total workforce. Due to our continuous R&D efforts, we successfully launched a series of new products during the Track Record Period, including 800G photonic products, 10GPON products and Wi-Fi 7 products. With the capability to design, develop and roll out upgraded and new products in a timely and efficient manner, we are able to respond swiftly to the changing market conditions and offer high caliber solutions to our customers.

The solutions that we provide are also among the primary factors that affect our revenue and profitability. Given the rapid rate of technological change in our industry, our customers' requirements evolve quickly. Newer generations of solutions drive new market demand. In addition, we customize our solutions for many of our customers to satisfy their particular needs. Consequently, we offer a wide range of solutions at different prices in respect of each of our solutions. As a result, the gross profit margin of our solution offerings is materially affected by product mix.

Ability to control costs and improve operational efficiency

Our ability to manage costs and enhance operational efficiency will impact the results of our operations. In 2022, 2023, and 2024, our cost of sales was RMB3,095.1 million, RMB2,421.3 million, and RMB2,887.6 million, respectively, accounting for 81.8%, 78.5%, and 79.1% of our revenue for the same years. Our cost of sales consists of cost of raw materials, staff costs, and manufacturing overhead. Changes in any major component of our cost of sales would affect our overall cost structure which, in turn, could have an impact on our gross profit and gross profit margin. In particular, our cost of raw materials accounted for 84.8%, 85.1%, and 85.7% of our total cost of sales in 2022, 2023, and 2024, respectively. The procurement costs for raw materials may fluctuate due to a number of factors beyond our control, such as supply chain disruptions and inflation. We continuously improve cost efficiency in raw material procurement through adopting a localized and stable supply chain that supports our global manufacturing capabilities. Moreover, we continuously enhance cost efficiency in manufacturing through strategic initiatives, including: (i) implementing lean manufacturing and automated production processes; (ii) standardizing components and management processes across global manufacturing facilities; and (iii) leveraging management talent and intelligent manufacturing expertise to enhance the operational efficiency.

Moreover, our operating expenses during the Track Record Period consisted of expenses in relation to R&D, selling and marketing, and administrative activities. Our total operating expenses amounted to RMB534.8 million, RMB563.8 million, and RMB618.7 million in 2022, 2023, and 2024, accounting for 14.1%, 18.3%, and 17.0% of our total revenue during the same year, respectively. Our ability to effectively manage our operating expenses may affect our profitability.

Foreign currency fluctuations

Due to the global presence of our business, our results of operations are affected by foreign exchange rate movements, both on a transactional and translational basis. Our Group's subsidiaries mainly operate in the PRC, the United States, and Japan and the majority of our transactions are settled in RMB, USD, and JPY, which are the functional currencies of our Group entities to which the transactions relate. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's subsidiaries. Consequently, we are exposed to risks arising from fluctuations in the exchange rates of RMB and foreign currencies and may record gains or losses from these currency conversion transactions and translations.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. As a result, fluctuations in the exchange rates of RMB and foreign currencies could affect our results of operations. In 2022, 2023, and 2024, we recorded net foreign exchange gains of RMB35.0 million, RMB31.8 million, and RMB14.4 million, respectively. The value of foreign currencies may fluctuate due to a number of factors, all of which are beyond our control. We may need to use hedging arrangements to mitigate the impact of foreign exchange rate fluctuations. However, we may not be able to fully mitigate the risk of foreign exchange loss, if any, through these arrangements and such arrangement may also incur additional costs. See "Risk Factors — Risks relating to doing business in the jurisdictions where we operate — Fluctuations in exchange rates may have a material adverse effect on our results of operations, financial condition and your investment."

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements and the understanding of our financial condition and results of operations. We have also made certain accounting judgements and assumptions in the process of applying our accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations.

Set out below is a summary of the significant accounting policies, estimates and judgements which we believe are critical for understanding the results of operation and financial condition of our Group. Please refer to Notes 2 and 4 to the Accountants' Report in Appendix I to this Document for a detailed description of our significant accounting policies, judgments and estimates.

Revenue recognition

Our revenue arises mainly from the sales of goods. To determine whether to recognize revenue, our Group follows a five-step process: (i) identifying the contract with a customer; (ii) identifying the performance obligations; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when/as performance obligation(s) are satisfied. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Our revenue is recognized at a point in time, when our Group satisfies performance obligations by transferring the promised goods to the customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to our Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Revenue from the sale of goods for a fixed fee is recognized when or as we transfer control of the assets to the customer. For non-cross-border sales, revenue is recognized when the products have been dispatched and the customer has signed for acceptance. For cross-border sales, revenue is recognized when the goods are delivered to the customer's designated location and upon receipt of export declaration from the customs and corresponding bill of lading.

Our standard sales terms are generally non-cancellable and non-returnable, other than for defective merchandise covered under our standard warranty provision, which covers a one to two-year period depending on the product. We do not offer any extended warranties for purchase and warranty is recorded in cost of sales. Sales-related warranties cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, we account for warranties in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method over their estimated useful lives as following:

Buildings	20 years
Machinery and equipment	5-10 years
Computer equipment	3 years
Motor vehicles	4 years
Leasehold improvements	Over the lease term
Office equipment	5 years

Accounting policy for depreciation of right-of-use assets is set out in Note 2.14 to the Accountants' Report in Appendix I to this Document. Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date. Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets (other than Goodwill) and research and development activities

Intangible assets (other than goodwill)

Acquired intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortization commences when the intangible assets are available for use. The following useful lives are applied:

Patent	6.75 years
Software	10 years
Deferred development cost	5 years

The assets' amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Intangible assets are tested for impairment as described in Note 2.20 to the Accountants' Report in Appendix I to this Document.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognized as intangible assets provided they meet all of the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) our Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or know-how that meet the above recognition criteria are recognized as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets. All other development costs are expensed as incurred.

Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the first-in first-out basis, and in the case of work in progress and finished goods, comprise direct materials, direct labor and an appropriate proportion of overheads.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill;
- Intangible assets;
- Property, plant and equipment (including right-of-use assets and deposits for acquisition of property, plant and equipment, and intangible assets);
- Prepaid lease payments; and
- Investments in subsidiaries in our Company's statements of financial position.

Goodwill and intangible assets those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Estimation of impairment of trade and bills receivables, and deposits and other receivables

We make allowances on items subjects to ECL (including trade and bills receivables, and deposits and other receivables and other financial assets measured at amortized cost) based on assumptions about risk of default and expected loss rates. We use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the our past history, existing market conditions as well as forward-looking estimates.

As of December 31, 2022, 2023, and 2024, the aggregate carrying amounts of trade and bills receivables, and deposits and other receivables amounted to RMB1,611.3 million, RMB1,124.0 million, and RMB1,252.8 million, net of loss allowance of RMB23.4 million, RMB18.7 million, and RMB20.1 million, respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bills receivables, and deposits and other receivables and related credit losses in the periods in which such estimate has been changed.

Current and deferred income taxes

Our Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from our Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Net realizable value of inventories

Net realizable value of inventories is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. Our Group reassesses the estimation at each reporting date. The provision for inventories, net, amounting to RMB18.5 million, RMB3.7 million and RMB4.1 million have been provided in 2022, 2023, and 2024, respectively.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the years indicated, of our consolidated results of operations. Each item has also been expressed as a percentage of our revenue.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	**3,783,739**	**100.0**	**3,085,362**	**100.0**	**3,649,889**	**100.0**
Cost of sales	(3,095,104)	(81.8)	(2,421,267)	(78.5)	(2,887,642)	(79.1)
Gross profit	**688,635**	**18.2**	**664,095**	**21.5**	**762,247**	**20.9**
Other income, net	20,006	0.5	18,882	0.6	49,663	1.4
Other gains, net	34,776	0.9	31,133	1.0	24,458	0.7
Research and development expenses	(270,376)	(7.1)	(275,799)	(8.9)	(320,368)	(8.8)
Selling and marketing expenses	(58,106)	(1.5)	(70,484)	(2.3)	(90,065)	(2.5)
General and administrative expenses	(206,271)	(5.5)	(217,488)	(7.0)	(208,259)	(5.7)
Reversal/(Provision) of expected credit loss, net	27,751	0.7	4,698	0.2	(1,351)	(0.1)
Operating profit	**236,415**	**6.2**	**155,037**	**5.1**	**216,325**	**5.9**
Finance costs	(57,903)	(1.5)	(61,123)	(2.0)	(52,890)	(1.4)
Profit before income tax	**178,512**	**4.7**	**93,914**	**3.1**	**163,435**	**4.5**
Income tax (expense)/credit	(7,406)	(0.2)	1,051	0.0	3,606	0.1
Profit for the year	**171,106**	**4.5**	**94,965**	**3.1**	**167,041**	**4.6**
Other comprehensive expenses items that may be reclassified to profit or loss:						
Exchange loss on translation of financial statements of foreign operations	(8,922)	(0.2)	(3,403)	(0.1)	(1,845)	(0.1)
Total comprehensive income for the year	**162,184**	**4.3**	**91,562**	**3.0**	**165,196**	**4.5**
Profit/(Loss) for the year attributable to:						
Owners of the Company	171,106	4.5	95,018	3.1	166,681	4.6
Non-controlling interests	–	0.0	(53)	(0.0)	360	0.0
	171,106	**4.5**	**94,965**	**3.1**	**167,041**	**4.6**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue by solutions category

During the Track Record Period, we primarily generated revenue from sales of (i) broadband solutions; (ii) wireless solutions; and (iii) photonics solutions. The following table sets forth our revenue breakdown by solutions category, both in absolute amounts and as percentages of our total revenue, for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Broadband solutions	2,059,278	54.5	1,827,146	59.2	2,032,689	55.7
Wireless solutions	1,056,051	27.9	718,518	23.3	1,052,400	28.8
Photonics solutions	478,215	12.6	446,680	14.5	491,527	13.5
Others[(1)]	190,195	5.0	93,018	3.0	73,273	2.0
Total	**3,783,739**	**100.0**	**3,085,362**	**100.0**	**3,649,889**	**100.0**

Note:

1. Primarily included carrier-grade ethernet switches and edge computing products.

Revenue by geographical region

Our solutions are sold to customers located in more than 50 countries and regions worldwide. The following table sets forth the breakdown of our revenue by the geographical region of our customers, each expressed in an absolute amount and as a percentage of our total revenue for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other countries/other regions	3,135,940	82.9	2,754,004	89.3	3,379,529	92.6
Mainland China	647,799	17.1	331,358	10.7	270,360	7.4
Total	**3,783,739**	**100.0**	**3,085,362**	**100.0**	**3,649,889**	**100.0**

Our solutions are marketed and sold mainly in overseas markets. We expect that we will continue to generate the majority of revenue from sales in overseas markets in the future.

Cost of sales

Our cost of sales mainly consists of (i) raw materials; (ii) manufacturing overhead; and (iii) staff costs. Our raw materials mainly includes integrated circuit, structural components, transistors and connectors. In 2022, 2023, and 2024, our cost of sales amounted to RMB3,095.1 million, RMB2,421.3 million, and RMB2,887.6 million, respectively, representing 81.8%, 78.5%, and 79.1% of our total revenue for the same years.

The following table sets forth a breakdown of cost of sales by nature, expressed as an absolute amount and as a percentage of our total cost of sales, for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	2,623,804	84.8	2,060,027	85.1	2,475,270	85.7
Manufacturing overhead	406,769	13.1	315,037	13.0	353,980	12.3
Staff costs	64,531	2.1	46,203	1.9	58,392	2.0
Total	**3,095,104**	**100.0**	**2,421,267**	**100.0**	**2,887,642**	**100.0**

The following table sets forth our a breakdown of cost of sales by solutions category, both in absolute amounts and as percentages of our total cost of sales, for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Broadband solutions	1,752,697	56.6	1,470,714	60.7	1,654,857	57.3
Wireless solutions	845,468	27.3	553,476	22.9	793,346	27.5
Photonics solutions	346,329	11.2	316,514	13.1	372,464	12.9
Others[(1)]	150,610	4.9	80,563	3.3	66,975	2.3
Total	**3,095,104**	**100.0**	**2,421,267**	**100.0**	**2,887,642**	**100.0**

Note:

1. Primarily included carrier-grade ethernet switches and edge computing products.

Gross profit and gross profit margin

Our gross profit represents revenue less cost of sales, and our gross profit margin represents gross profit divided by revenue. In 2022, 2023, and 2024, our gross profit amounted to RMB688.6 million, RMB664.1 million, and RMB762.2 million, respectively, and our gross profit margin was 18.2%, 21.5%, and 20.9% for the same years. The following table sets forth a breakdown of our gross profit and gross profit margin by solutions category for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Broadband solutions	306,581	14.9	356,432	19.5	377,832	18.6
Wireless solutions	210,583	19.9	165,042	23.0	259,054	24.6
Photonics solutions	131,886	27.6	130,166	29.1	119,063	24.2
Others[(1)]	39,585	20.8	12,455	13.4	6,298	8.6
Total/overall	**688,635**	**18.2**	**664,095**	**21.5**	**762,247**	**20.9**

Note:

1. Primarily included carrier-grade ethernet switches and edge computing products.

Other income, net

Our other income, net mainly consists of (i) government subsidies, including financial supports that we received from local governments in recognition of our contribution to technology innovation and regional business development; (ii) interest income; and (iii) other income primarily consisting of rental income. In 2022, 2023, and 2024, our other income, net amounted to RMB20.0 million, RMB18.9 million, and RMB49.7 million, respectively. The following table sets forth a breakdown of our other income, net for the years indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government subsidies[(1)]	16,575	10,096	30,950
Interest income	1,411	7,293	16,399
Others[(2)]	2,020	1,493	2,314
Total	**20,006**	**18,882**	**49,663**

Notes:

1. In addition to the government subsidies received in relation to the acquisition and/or construction of property, plant, and equipment, we also received unconditional government grants for supporting our operation. In 2024, we received RMB15 million from the Commission of China-Singapore Jiashan Modern Industrial Park for our local operation.

2. Primarily include rental income.

Other gains, net

In 2022, 2023, and 2024, our other gains, net amounted to RMB34.8 million, RMB31.1 million, and RMB24.5 million, respectively. Our other gains, net mainly consist of foreign exchange gains, primarily attributable to fluctuations in foreign exchange rates. In 2022, 2023, and 2024, we recorded exchange gains, net of RMB35.0 million, RMB31.8 million, and RMB14.4 million, respectively, mainly as a result of the fluctuation of USD and JPY. The following table sets forth a breakdown of our other gains, net for the years indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Exchange gains, net	35,010	31,790	14,436
Gain on disposal of subsidiary[(1)]	–	–	6,281
Others	(234)	(657)	3,741
Total	**34,776**	**31,133**	**24,458**

Note:

1. In 2024, we disposed a wholly-owned subsidiary.

Research and development expenses

Our research and development expenses mainly consist of (i) staff costs related to our R&D personnel; (ii) depreciation and amortization expenses; (iii) service fees related to R&D services provided by independent third parties; and (iv) material costs. The following table sets forth a breakdown of our research and development expenses for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	144,733	53.5	141,976	51.5	164,617	51.4
Depreciation and amortization expenses	87,338	32.3	98,805	35.8	112,167	35.0
Service fees	17,951	6.7	16,254	5.9	21,752	6.8
Material costs	12,516	4.6	6,755	2.4	10,642	3.3
Other expenses	7,838	2.9	12,009	4.4	11,190	3.5
Total	**270,376**	**100.0**	**275,799**	**100.0**	**320,368**	**100.0**

Selling and marketing expenses

Our selling and marketing expenses mainly consist of (i) staff costs related to our sales and marketing personnel; (ii) office expenses; (iii) travel expenses; (iv) maintenance expenses; (v) service fees related to industrial association membership; and (vi) business development expenses. In 2022, 2023, and 2024, our selling and marketing expenses amounted to RMB58.1 million, RMB70.5 million, and RMB90.1 million, respectively. The following table sets forth a breakdown of our selling and marketing expenses for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	42,512	73.2	51,672	73.3	62,994	69.9
Office expenses	3,894	6.7	5,011	7.1	9,015	10.0
Travel expenses	1,198	2.1	4,000	5.7	4,722	5.3
Maintenance expenses	1,695	2.9	1,492	2.1	2,950	3.3
Service fees	1,423	2.4	2,121	3.0	2,156	2.4
Business development expenses	1,642	2.8	1,795	2.6	2,103	2.3
Other expenses[1]	5,742	9.9	4,393	6.2	6,125	6.8
Total	**58,106**	**100.0**	**70,484**	**100.0**	**90,065**	**100.0**

Note:

1. Primarily included insurance expenses, sampling fees, and other miscellaneous expenses.

General and administrative expenses

Our general and administrative expenses mainly consist of (i) staff costs; (ii) depreciation and amortization expenses; (iii) professional service fees for consulting services; (iv) share-based payment; (v) office expenses; and (vi) travel expenses. In 2022, 2023 and 2024, our general and administrative expenses amounted to RMB206.3 million, RMB217.5 million, and RMB208.3 million, respectively. The following table sets forth a breakdown of our general and administrative expenses for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	76,359	37.0	75,606	34.8	85,090	40.9
Depreciation and amortization expenses	63,509	30.8	67,675	31.1	54,236	26.0
Professional service fees	13,247	6.4	9,989	4.6	22,106	10.6
Share-based payment	20,596	10.0	35,027	16.1	12,034	5.8
Office expenses	7,164	3.5	7,331	3.4	7,602	3.7
Travel expenses	2,357	1.1	3,117	1.4	4,067	2.0
Other expenses[1]	23,039	11.2	18,743	8.6	23,124	11.0
Total	**206,271**	**100.0**	**217,488**	**100.0**	**208,259**	**100.0**

Note:

1. Primarily included fees related to software services, lease expense, insurance, and other miscellaneous expenses.

Reversal/(Provision) of expected credit loss, net

We make provisions for, or reversal of expected credit loss on trade and other receivables based on the expected credit losses of our trade and bills receivables, deposits and other receivables, in accordance with the relevant accounting policies. Please refer to Note 2.10 of the Accountants' Report in Appendix I to this Document. We recorded reversal of expected credit loss of RMB27.8 million and RMB4.7 million in 2022 and 2023, respectively, and provision for expected credit loss of RMB1.4 million in 2024.

Finance costs

Our finance costs mainly consist of (i) interest on bank borrowings; (ii) interests on other borrowings; and (iii) interests on lease liabilities. In 2022, 2023, and 2024, our finance costs amounted to RMB57.9 million, RMB61.1 million, and RMB52.9 million, respectively.

Income tax (expense)/credit

Our income tax expenses/credits mainly represented the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses. We recorded income tax expense of RMB7.4 million in 2022 and income tax credit of RMB1.1 million and RMB3.6 million in 2023 and 2024, respectively. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our subsidiaries are domiciled and operate. We are subject to various rates of income tax under different jurisdictions. The following set forth our principal applicable taxes and tax rates:

PRC

We are subject to EIT Law of the PRC and our income tax expense is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations for the Track Record Period. Our Company was accredited as a high and new technology enterprise ("**HNTE**") and was entitled to a preferential tax rate of 15% for the qualified period. The HNTE certificate needs to be renewed every three years to enjoy the preferential EIT rate. In addition, PRC companies engaging in research and development activities are entitled to claim 200% of their R&D expenses so incurred as tax deductible expenses when determining their assessable profits for the relevant year according to the applicable laws and regulations in the PRC.

United States

Our subsidiaries in the United States are subject to income tax rates between 4% and 8.99% at the state level, and 21% at the federal level, in 2022, 2023, and 2024.

Japan

Our subsidiary in Japan is subject to corporate income tax include national corporate income tax, inhabitants tax and enterprise tax, which are calculated on the estimated assessable profit for the year. During the Track Record Period, the aggregated rates of national corporate income tax, inhabitants tax, and enterprise tax resulted in statutory income tax rates of 35%.

Hong Kong

During the Track Record Period, no Hong Kong profit tax has been provided as our Group has no assessable profit in 2022, 2023, and 2024.

Germany

Germany taxes its corporate residents on their worldwide income. Corporation tax is levied at a uniform rate of 15% and is subject to a surcharge (solidarity surcharge). This results in a total tax rate of 19%.

Profit for the year

In light of the above, our profit for the year amounted to RMB171.1 million, RMB95.0 million, and RMB167.0 million, respectively, at a net profit margin of 4.5%, 3.1%, and 4.6% in 2022, 2023, and 2024, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2024 compared to the year ended December 31, 2023

Revenue

Our revenue increased by RMB564.5 million or by 18.3% from RMB3,085.4 million in 2023 to RMB3,649.9 million in 2024, primarily due to the increase in revenue from all of our three major solutions, driven by the increase in their corresponding sales volume.

- Our revenue from broadband solutions increased by RMB205.6 million or by 11.3% from RMB1,827.1 million in 2023 to RMB2,032.7 million in 2024, primarily due to the increase in sales volume of broadband products driven by the increased customers' demand of our broadband solutions, particularly our 10GPON products.

- Our revenue from wireless solutions increased by RMB333.9 million or by 46.5% from RMB718.5 million in 2023 to RMB1,052.4 million in 2024, primarily due to the increased sales volume of wireless products as a result of our continual product upgrade and iteration, particularly our high-end Wi-Fi 6E products.

- Our revenue from photonics solutions increased by RMB44.8 million or by 10.0% from RMB446.7 million in 2023 to RMB491.5 million in 2024, primarily due to the increased sales volume of high-priced products, i.e. 400G and 800G products, driven by our enhanced marketing efforts.

Cost of sales

Our cost of sales increased by RMB466.3 million or by 19.3% from RMB2,421.3 million in 2023 to RMB2,887.6 million in 2024, which was generally in line with the increase in the sales of our solutions, and in our revenue during the year.

Gross profit and gross profit margin

Our gross profit increased by RMB98.1 million or by 14.8% from RMB664.1 million in 2023 to RMB762.2 million in 2024, primarily due to the increase in the gross profit for our wireless solutions. Our gross profit margin decreased from 21.5% to 20.9%, primarily due to the decrease in gross profit margin of broadband solutions and photonic solutions, partially offset by an increase in gross profit margin of wireless solutions.

- our gross profit of broadband solutions increased by RMB21.4 million or by 6.0% from RMB356.4 million in 2023 to RMB377.8 million in 2024, primarily due to the increase in revenue from broadband solutions. Our gross profit margin for broadband solutions remained relatively stable at 19.5% in 2023 compared to 18.6% in 2024.

- our gross profit of wireless solutions increased by RMB94.1 million or by 57.0% from RMB165.0 million in 2023 to RMB259.1 million in 2024, primarily due to the increase in revenue from wireless solutions. Our gross profit margin for wireless solutions increased from 23.0% in 2023 to 24.6% in 2024, primarily due to the improved cost efficiency in relation to our manufacturing overhead and staff cost.

- our gross profit of photonics solutions decreased by RMB11.1 million or by 8.5% from RMB130.2 million in 2023 to RMB119.1 million in 2024 and our gross profit margin for photonics solutions decreased from 29.1% in 2023 to 24.2% in 2024, primarily due to change of product mix driven by our customers' demand.

Other income, net

Our other income, net increased by RMB30.8 million or by 163.0% from RMB18.9 million in 2023 to RMB49.7 million in 2024, primarily due to increases in (i) government subsidies and (ii) interest income.

Other gains, net

Our other gains, net decreased by RMB6.6 million or by 21.2% from RMB31.1 million in 2023 to RMB24.5 million in 2024, primarily due to the decrease in net foreign exchange gains which is primarily attributable to fluctuations in foreign exchange rates, especially in USD and JPY.

Research and development expenses

Our research and development expenses increased by RMB44.6 million or by 16.2% from RMB275.8 million in 2023 to RMB320.4 million in 2024, primarily due to increases in (i) staff costs as a result of the increase in the number of our R&D personnel; and (ii) depreciation and amortization expenses in connection with R&D activities.

Selling and marketing expenses

Our selling and marketing expenses increased by RMB19.6 million or by 27.8% from RMB70.5 million in 2023 to RMB90.1 million in 2024, primarily due to the increase in staff costs as a result of the increase in the number of our sales and marketing personnel.

General and administrative expenses

Our general and administrative expenses decreased by RMB9.2 million or by 4.2% from RMB217.5 million in 2023 to RMB208.3 million in 2024, primarily due to the decrease in share-based payment.

Finance costs

Our finance costs decreased by RMB8.2 million or by 13.4% from RMB61.1 million in 2023 to RMB52.9 million in 2024, primarily due to the decrease in interests on bank borrowings as a result of the decrease in the outstanding amount of our bank loans.

Income tax credit

Our income tax credit increased by RMB2.5 million from RMB1.1 million in 2023 to RMB3.6 million in 2024.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB72.0 million or by 75.8% from RMB95.0 million in 2023 to RMB167.0 million in 2024.

Year ended December 31, 2023 compared to the year ended December 31, 2022

Revenue

In 2023, with gradual post-pandemic recovery of global economy, the industry was still in the process of consumption of the inventories accumulated during the pandemic, which in turn resulted in a postponed demand for our solutions. Our revenue decreased by RMB698.3 million or by 18.5% from RMB3,783.7 million in 2022 to RMB3,085.4 million in 2023. In particular, our revenue from broadband solutions decreased by RMB232.2 million or by 11.3% from RMB2,059.3 million in 2022 to RMB1,827.1 million in 2023. Our revenue from wireless solutions decreased by RMB337.6 million or by 32.0%, from RMB1,056.1 million in 2022 to RMB718.5 million in 2023. Our revenue from photonics solutions decreased by RMB31.5 million or by 6.6% from RMB478.2 million in 2022 to RMB446.7 million in 2023.

Cost of sales

Our cost of sales decreased by RMB673.8 million or by 21.8% from RMB3,095.1 million in 2022 to RMB2,421.3 million in 2023, primarily as a result of the decrease in sales of our solutions. The decrease in cost of sales was generally in line with the decrease in our revenue during the same year.

Gross profit and gross profit margin

Our gross profit decreased by RMB24.5 million or by 3.6% from RMB688.6 million in 2022 to RMB664.1 million in 2023, primarily due to the decrease gross profit of wireless solutions and photonics solutions as a result of decrease in revenue from these solutions, partially offset by the increase in gross profit of broadband solutions as a result of the decreased costs for broadband solutions. Our gross profit margin increased from 18.2% to 21.5%, primarily due to the increases in gross profit margin of all of broadband solutions, wireless solutions and photonics solutions.

- Our gross profit of broadband solutions increased by RMB49.8 million or by 16.2% from RMB306.6 million in 2022 to RMB356.4 million in 2023, primarily due to the decrease of costs for key component of our broadband products despite the decrease in the revenue from broadband solutions. Our gross profit margin of broadband solutions increased from 14.9% to 19.5%, primarily due to increased cost efficiency, in particular for certain key components.

- Our gross profit of wireless solutions decreased by RMB45.6 million or by 21.7%, from RMB210.6 million in 2022 to RMB165.0 million in 2023, primarily due to the decrease in revenue from our wireless solutions. Our gross profit margin for wireless solutions increased from 19.9% to 23.0%, primarily due to increased cost efficiency.

- Our gross profit of photonics solutions slightly decreased from RMB131.9 million in 2022 to RMB130.2 million in 2023. Our gross profit for photonics solutions increased from 27.6% to 29.1%, primarily due to increased cost efficiency.

Other income, net

Our other income, net decreased by RMB1.1 million or by 5.5% from RMB20.0 million in 2022 to RMB18.9 million in 2023, primarily due to the decrease in government subsidies, partially offset by the increase in interest income.

Other gains, net

Our other gains, net decreased by RMB3.7 million or by 10.6% from RMB34.8 million in 2022 to RMB31.1 million in 2023, primarily due to the decrease in foreign exchange gains, net, which is primarily attributable to fluctuations in foreign exchange rates.

Research and development expenses

Our research and development expenses increased by RMB5.4 million or by 2.0% from RMB270.4 million in 2022 to RMB275.8 million in 2023, primarily due to the increase in depreciation and amortization expenses, partially offset by the decreases in (i) staff costs and (ii) material costs related to R&D activities.

Selling and marketing expenses

Our selling and marketing expenses increased by RMB12.4 million or by 21.3% from RMB58.1 million in 2022 to RMB70.5 million in 2023, primarily due to the increase in staff costs as a result of the increase in the number of our sales and marketing personnel.

General and administrative expenses

Our general and administrative expenses increased by RMB11.2 million or by 5.4% from RMB206.3 million in 2022 to RMB217.5 million in 2023, primarily due to the increase in share-based payment.

Finance costs

Our finance costs increased by RMB3.2 million or by 5.5% from RMB57.9 million in 2022 to RMB61.1 million in 2023, primarily due to the increase in interests on bank borrowings as a result of the increase in the outstanding amount of our bank borrowings.

Income tax (expense)/credit

We recorded an income tax expense of RMB7.4 million in 2022 and an income tax credit of RMB1.1 million in 2023.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB76.1 million or by 44.5% from RMB171.1 million in 2022 to RMB95.0 million in 2023.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-current assets and non-current liabilities

The following table sets forth the components of our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	612,417	525,089	655,566
Right-of-use assets	79,315	181,312	148,705
Prepaid lease payments	–	35,506	34,795
Goodwill	98,969	98,969	98,969
Intangible assets	579,417	591,424	543,698
Other financial assets	4,560	14,560	14,560
Deposits for acquisition of property, plant and equipment, and intangible assets	384	3,035	26,902
Deferred tax assets	30,216	31,137	32,448
	1,405,278	**1,481,032**	**1,555,643**
Non-current liabilities			
Bank borrowings	–	–	91,900
Other borrowings	93,881	–	–
Lease liabilities	36,999	145,887	135,938
Deferred income	30,281	29,622	42,513
Deferred tax liabilities	35,024	34,305	28,470
	196,185	**209,814**	**298,821**

Property, plant, and equipment

Our property, plant, and equipment primarily consist of (i) buildings; (ii) machinery and equipment; (iii) computer equipment; (iv) leasehold improvements; (v) motor vehicles; (vi) office equipment; and (vii) construction in progress. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Buildings	55,934	51,305	46,676
Machinery and equipment	464,503	429,436	367,672
Computer equipment	8,266	6,670	5,046
Leasehold improvements	24,483	13,213	4,969
Motor vehicles	59	54	1,110
Office equipment	1,264	486	2,726
Construction in progress	57,908	23,925	227,367
Total	**612,417**	**525,089**	**655,566**

Our property, plant and equipment decreased by RMB87.3 million from RMB612.4 million as of December 31, 2022 to RMB525.1 million as of December 31, 2023, primarily due to the depreciation of machinery and equipment, leasehold improvements. Our property, plant and equipment increased by RMB130.5 million to RMB655.6 million as of December 31, 2024, primarily due to the increase in construction in progress as a result of construction of our second in-house facility in Jiashan, near Shanghai.

Intangible assets

Our intangible assets primarily consist of (i) patent; (ii) software; and (iii) deferred development cost. Our deferred development cost represents our capitalized R&D projects. The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Patent	29,155	19,437	9,718
Software	80,042	64,300	51,001
Deferred development cost	470,220	507,687	482,979
Total	**579,417**	**591,424**	**543,698**

Our intangible assets increased by RMB12.0 million from RMB579.4 million as of December 31, 2022 to RMB591.4 million as of December 31, 2023, primarily due to the increase in deferred development cost in respect of R&D activities, partially offset by the amortization of software. Our intangible assets decreased by RMB47.7 million from RMB591.4 million as of December 31, 2023 to RMB543.7 million as of December 31, 2024, primarily due to the amortization of deferred development cost and software.

Right-of-use assets

Our right-of-use assets increased from RMB79.3 million as of December 31, 2022 to RMB181.3 million as of December 31, 2023, primarily due to the renewal of property lease by our subsidiary in the United States. Our right-of-use assets decreased from RMB181.3 million as of December 31, 2023 to RMB148.7 million as of December 31, 2024, primarily due to depreciation charged during the year.

Goodwill

Our goodwill arises from the acquisition of Actiontec Electronics. Our goodwill remained at RMB99.0 million as of December 31, 2022, 2023, and 2024. Please refer to Note 17 of the Accountants' Report in Appendix I to this Document.

Net current assets

	As of December 31,			As of February 28,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current assets				
Inventories	1,729,540	1,573,454	1,685,544	1,766,996
Trade and bills receivables	1,606,878	1,115,577	1,238,116	1,208,851
Deposits, prepayments and other receivables	101,287	77,936	130,807	110,166
Tax recoverable	3,980	49,942	51,363	51,974
Pledged deposits	35,500	20,000	20,000	20,170
Cash and cash equivalents	354,707	417,977	507,341	396,394
	3,831,892	**3,254,886**	**3,633,171**	**3,554,551**

	As of December 31,			As of February 28,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current liabilities				
Trade and bills payables	1,780,381	864,443	1,234,954	1,179,938
Other payables and accruals	180,566	137,203	148,472	86,749
Contract liabilities	11,925	45,391	33,363	36,296
Bank borrowings	913,014	1,111,827	991,700	1,063,998
Other borrowings	175,090	41,609	–	–
Lease liabilities	44,927	37,670	20,134	20,555
Income tax payable	9,565	–	381	608
	3,115,468	2,238,143	2,429,004	2,388,144
Net current assets	**716,424**	**1,016,743**	**1,204,167**	**1,166,407**

Our net current assets remained relatively stable at RMB1,204.2 million and RMB1,166.4 million as of December 31, 2024 and February 28, 2025, respectively.

Our net current assets increased from RMB1,016.7 million as of December 31, 2023 to RMB1,204.2 million as of December 31, 2024, primarily due to the increase in our inventories of RMB112.1 million and an increase in our trade and bills receivables of RMB122.5 million. Such increase was partially offset by an increase in trade and bills payables of RMB370.5 million.

Our net current assets increased from RMB716.4 million as of December 31, 2022 to RMB1,016.7 million as of December 31, 2023, primarily due to the decrease in our current liabilities outpacing the decrease in our current assets. The decrease in current assets was mainly due to the decrease in trade and bills receivables of RMB491.3 million. The decrease in current liabilities was mainly due to a decrease of trade and bills payables of RMB916.0 million.

Inventories

Our inventories primarily consist of (i) raw materials; (ii) work in progress; (iii) finished goods; and (iv) goods in transit. The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,163,158	995,704	1,054,035
Work in progress	391,076	313,073	397,008
Finished goods	207,155	291,369	269,097
Goods in transit	6,254	13,372	9,582
	1,767,643	1,613,518	1,729,722
Less: Provision for inventories	(38,103)	(40,064)	(44,178)
Total	**1,729,540**	**1,573,454**	**1,685,544**

Our inventories decreased by RMB156.0 million from RMB1,729.5 million as of December 31, 2022 to RMB1,573.5 million as of December 31, 2023, and increased by RMB112.0 million to RMB1,685.5 million as of December 31, 2024, primarily due to the movement in raw materials and work in progress as we proactively manage our inventory level based on the market conditions at the relevant time.

The following table sets forth our inventory turnover days for the years indicated:

	For the year ended December 31,		
	2022	2023	2024
Inventory turnover days[1]	171	246	203

Note:

1. Calculated using the average of opening and closing balances of the inventories for such years divided by cost of sales for the relevant years and multiplied by 360 days.

Our inventory turnover days increased from 171 days in 2022 to 246 days in 2023, primarily due to the decrease in cost of sales in 2023. Our inventory turnover days decreased to 203 days in 2024, primarily due to the increase in cost of sales in 2024.

As of February 28, 2025, RMB630.4 million or 36.4% of our inventories as of December 31, 2024, had been sold or utilized.

Trade and bills receivables

Our trade and bills receivables primarily consist of (i) trade receivables, primarily representing receivables due from our customers in respect of purchasing our solutions, net of ECL allowance and (ii) bills receivable, net of ECL allowance. The following table sets forth details of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,623,429	1,112,223	1,244,428
Less: ECL allowance	(17,551)	(12,687)	(14,314)
	1,605,878	1,099,536	1,230,114
Bills receivable	1,000	16,196	8,060
Less: ECL allowance	–	(155)	(58)
	1,000	16,041	8,002
Total	**1,606,878**	**1,115,577**	**1,238,116**

Our trade and bills receivables decreased by RMB491.3 million from RMB1,606.9 million as of December 31, 2022 to RMB1,115.6 million as of December 31, 2023, primarily due to the decrease in trade receivables as a result of the decrease in sales volume of our products in 2023. Our trade and bills receivables increased by RMB122.5 million to RMB1,238.1 million as of December 31, 2024, primarily due to the sales of our solutions.

We generally grant credit terms ranging from 30 days to 90 days to our customers. During the Track Record Period, the majority of our trade and bills receivables were outstanding for less than one year. The following table sets forth the aging analysis of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,597,534	1,112,547	1,228,544
1 to 2 years	9,312	3,030	8,876
2 to 3 years	32	–	696
Total	**1,606,878**	**1,115,577**	**1,238,116**

The following table sets forth our trade and bills receivables turnover days for the years indicated:

	For the year ended December 31,		
	2022	2023	2024
Trade and bills receivables turnover days[1]	144	159	116

Note:

1. Calculated using the average of opening and closing balances of the trade and bills receivables for such years divided by the total revenue for the relevant years and multiplied by 360 days.

Our trade and bills receivables turnover days increased from 144 days in 2022 to 159 days in 2023, and decreased to 116 days in 2024, primarily due to a temporary extension of credit terms to certain customers in 2023 in consideration of our strategic cooperation with these customers.

As of February 28, 2025, RMB634.0 million, or 50.6%, of our trade and bills receivables as of December 31, 2024, had been settled.

Trade and bills payables

Our trade and bills payables primarily consist of (i) trade payables, primarily representing payables due to our suppliers in respect of procurement of raw materials such as integrated circuit, structured components, transistors and connectors; and (ii) bills payable. The following table sets forth details of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,564,927	750,096	1,115,412
Bills payable	215,454	114,347	119,542
Total	**1,780,381**	**864,443**	**1,234,954**

Our trade and bills payables decreased by RMB916.0 million from RMB1,780.4 million as of December 31, 2022 to RMB864.4 million as of December 31, 2023, mainly as a result of the decrease in our procurement of raw materials as some of our major customers postponed their purchases of our products in 2023. Our trade and bills payables increased by RMB370.6 million to RMB1,235.0 million as of December 31, 2024, mainly as a result of the increase in our procurement of raw materials driven by the increased market demand.

The trade and bills payables are normally settled within 60 days. The following table sets forth the aging analysis of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,776,369	861,516	1,230,901
1 to 2 years	2,456	241	1,353
2 to 3 years	308	1,644	43
Over 3 years	1,248	1,042	2,657
Total	**1,780,381**	**864,443**	**1,234,954**

The following table sets forth our trade and bills payables turnover days for the years indicated:

	For the year ended December 31,		
	2022	2023	2024
Trade and bills payables turnover days[1]	158	197	131

Note:

1. Calculated using the average of opening and closing balances of the trade and bills payables for such years divided by the cost of sales for the relevant years and multiplied by 360 days.

Our trade and bills payables turnover days increased from 158 days in 2022 to 197 days in 2023 primarily due to increase in our procurement of raw materials for preparation of production at the end of 2023. Our trade and bills payables turnover days decreased to 131 days in 2024, primarily due to increase in our procurement of raw materials at the end of 2023 as well as our efforts to accelerate the payment to our suppliers.

As of February 28, 2025, RMB752.5 million, or 60.9%, of our trade and bills payables as of December 31, 2024, had been settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have historically funded our cash requirements principally from proceeds from our business operations, capital contributions from shareholders and bank borrowings. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations and the net [**REDACTED**] from the [**REDACTED**]. We do not anticipate any changes in the availability of financing to fund our operations in the future.

Cash flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	For the year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	56,255	142,942	561,970
Net cash used in investing activities	(193,641)	(204,545)	(293,948)
Net cash generated from/(used in) financing activities	231,772	93,083	(200,733)
Net increase in cash and cash equivalents	94,386	31,480	67,289
Cash and cash equivalents, beginning of year	225,311	354,707	417,977
Effect of exchange rate changes on cash and cash equivalents	35,010	31,790	22,075
Cash and cash equivalents, end of year	**354,707**	**417,977**	**507,341**

Net cash generated from operating activities

Our cash flows generated from operating activities reflect our profit before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation of non-current assets and interest income); (ii) the effects of movement in working capital (such as inventories, receivables and payables); and (iii) other cash items (such as income taxes paid).

In 2024, we had net cash generated from operating activities of RMB562.0 million, which primarily represents profit before income tax of RMB163.4 million, adjusted by (i) non-cash and non-operating items, which primarily consisted of depreciation of RMB166.4 million, amortization of intangible assets of RMB127.8 million and finance cost of RMB52.9 million and (ii) movements in working capital, mainly consisting of an increase in trade and other payables of RMB380.2 million, which was partially offset by an increase in inventories of RMB116.2 million and an increase in trade and other receivables of RMB191.4 million.

In 2023, we had net cash generated from operating activities of RMB142.9 million, which primarily represents profit before income tax of RMB93.9 million, adjusted by (i) non-cash and non-operating items, which primarily consisted of depreciation of RMB181.3 million, amortization of intangible assets of RMB112.8 million and finance cost of RMB61.1 million and (ii) movements in working capital, mainly consisting of a decrease in inventories of RMB152.3 million and a decrease in trade and other receivables of RMB473.5 million, offset by a decrease in trade and other payables of RMB911.9 million.

In 2022, we had net cash generated from operating activities of RMB56.3 million, which primarily represents profit before income tax of RMB178.5 million, adjusted by (i) non-cash and non-operating items, which primarily consisted of depreciation of RMB191.1 million, amortization of intangible assets of RMB103.3 million and finance cost of RMB57.9 million and (ii) movements in working capital, mainly consisting of an increase in trade and other payables of RMB785.7 million, offset by an increase in inventories of RMB507.5 million and an increase in trade and other receivables of RMB727.8 million.

Net cash used in investing activities

In 2024, our net cash flow used in investing activities was RMB293.9 million, which primarily attributable to (i) payments and deposits for acquisition of property plant and equipment, and intangible assets of RMB306.6 million and (ii) payments for investment in a swap contract of RMB20.3 million, which was partially offset by (i) proceeds from investment in a swap contract upon maturity of RMB20.4 million, (ii) proceeds from disposal of property, plant and equipment of RMB6.3 million and (iii) proceeds from disposal of a subsidiary of RMB6.3 million.

In 2023, our net cash flow used in investing activities was RMB204.5 million, which primarily attributable to (i) payments and deposits for acquisition of property plant and equipment, and intangible assets of RMB167.6 million, (ii) payments for other financial assets of RMB10.0 million and (iii) payments for acquisition of prepaid lease payment of RMB35.6 million, which was partially offset by proceeds from disposal of property, plant and equipment of RMB8.6 million.

In 2022, our net cash flow used in investing activities of RMB193.6 million, which primarily attributable to (i) payments and deposits for acquisition of property plant and equipment, and intangible assets of RMB179.7 million and (ii) payments for acquisition of subsidiaries of RMB21.5 million, which was partially offset by proceeds from disposal of property, plant and equipment of RMB7.6 million.

Net cash (used in)/generated from financing activities

In 2024, our cash flow used in financing activities was RMB200.7 million, primarily attributable to (i) repayments of bank borrowings of RMB1,668.6 million and (ii) repayments of other borrowings of RMB43.1 million, which was partially offset by proceeds from bank borrowings of RMB1,640.6 million.

In 2023, we had net cash generated from financing activities of RMB93.1 million, primarily attributable to proceeds from bank borrowings of RMB1,727.9 million, which was partially offset by repayment of bank borrowings of RMB1,530.2 million.

In 2022, we had net cash generated from financing activities of RMB231.8 million, primarily attributable to (i) proceeds from bank borrowings of RMB1,432.7 million and (ii) proceeds from other borrowings of RMB265.6 million, which was partially offset by (i) repayment of bank borrowings of RMB1,253.8 million and (ii) repayment of other borrowings of RMB184.6 million.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including cash and cash equivalents, available banking facilities, cash flows from operating activities and estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document.

INDEBTEDNESS

As of December 31, 2022, 2023, and 2024, and February 28, 2025, our indebtedness included bank borrowings, other borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Bank borrowings	913,014	1,111,827	991,700	1,063,998
Other borrowings	175,090	41,609	–	–
Lease liabilities	44,927	37,670	20,134	20,555
Non-current				
Bank borrowings	–	–	91,900	91,900
Other borrowings	93,881	–	–	–
Lease liabilities	36,999	145,887	135,938	132,660
Total	**1,263,911**	**1,336,993**	**1,239,672**	**1,309,113**

Bank borrowings

As of December 31, 2022, 2023, 2024 and February 28, 2025, we had bank borrowings of RMB913.0 million, RMB1,111.8 million, RMB1,083.6 million and RMB1,155.9 million, respectively, which were unsecured and unguaranteed bank loans primarily to finance our working capital and capital expenditure. Our bank borrowings are denominated in RMB and USD. The effective interest rate on our bank loans ranged from 3.2% to 5.4%, 2.9% to 4.4%, and 2.5% to 3.7% per annum as of December 31, 2022, 2023, and 2024, respectively. Please refer to Note 27 of the Accountants' Report in Appendix I to this Document. As of February 28, 2025, our unutilized banking facilities amounted to RMB903.3 million.

Other borrowings

As of December 31, 2022, 2023, 2024 and February 28, 2025, we had other borrowings of RMB269.0 million, RMB41.6 million, nil and nil, respectively. We entered into financing arrangements with financial institutions and we are entitled to purchase back the machinery and equipment at a minimal consideration upon maturity of respective leases, or to purchase back the machinery and equipment from this financial institution at fair value upon the end of the lease period. In 2022, 2023, and 2024, we raised RMB265.6 million, nil and nil of borrowings in respect of such sale and leaseback arrangements. Please refer to Note 28 of the Accountants' Report in Appendix I to this Document.

Lease liabilities

As of December 31, 2022, 2023, 2024, and February 28, 2025, our lease liabilities amounted to RMB81.9 million, RMB183.6 million, RMB156.1 million, and RMB153.2 million, respectively.

Contingent liabilities

As of December 31, 2022, 2023, 2024 and February 28, 2025, we did not have any material contingent liabilities. Our Directors confirm that there had been no material change in our contingent liabilities since February 28, 2025 and up to the Latest Practicable Date.

Indebtedness statement

Except as disclosed above, as of February 28, 2025, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since February 28, 2025 and up to the Latest Practicable Date.

OFF-BALANCE SHEET TRANSACTIONS

We had not entered into any material off-balance sheet transactions or arrangements as of the Latest Practicable Date.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures were used for property, plant and equipment, which amounted to RMB34.9 million, RMB52.2 million, and RMB259.5 million, respectively. We funded these expenditures mainly with cash generated from our business operations.

CAPITAL COMMITMENTS

Our capital commitments as of December 31, 2022, 2023, and 2024, were RMB19.8 million, RMB234.9 million, and RMB144.0 million attributable to purchase of property, plant and equipment. We have funded and expect to continue to fund our capital commitments with our cash flow generated from operating activities.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Please refer to Note 35 to the Accountants' Report in Appendix I to this Document. Our Directors believe that these transactions were conducted in the ordinary and usual course of business on an arm's length basis, and the transactions were conducted on an arm's length basis. Such transactions did not distort our results of operations or make our historical results unreflective of our future performance.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the date or for the period indicated:

	As of/for the year ended December 31,		
	2022	**2023**	**2024**
Return on equity(1)	9.3%	4.5%	7.0%
Return on assets(2)	3.8%	1.9%	3.4%
Gearing ratio(3)	65.6%	58.4%	50.4%
Gross profit margin(4)	18.2%	21.5%	20.9%
Net profit margin(5)	4.5%	3.1%	4.6%
R&D to revenue ratio(6)	7.1%	8.9%	8.8%

Notes:

(1) Return on equity is calculated based on the profit for the year attributable to owners of our Company divided by the arithmetic mean of the opening and closing balances of the total equity and multiplied by 100%.

(2) Return on assets is calculated based on the profit for the year attributable to owners of our Company divided by the arithmetic mean of the opening and closing balances of the total assets and multiplied by 100%.

(3) Gearing ratio is calculated based on total indebtedness (including bank borrowings, other borrowings and lease liabilities) divided by total equity and multiplied by 100%.

(4) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(5) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

(6) Calculated by dividing our R&D expenses by our revenue for the year and multiplied by 100%.

Return on equity and return on assets

Our return on equity decreased from 9.3% in 2022 to 4.5% in 2023, primarily due to the decrease in our net profit. Our return on equity increased to 7.0% in 2024, primarily due to the increase in our net profit outpacing the increase in our total equity.

Our return on assets decreased from 3.8% in 2022 to 1.9% in 2023, primarily due to the decrease in our net profit. Our return on assets increased to 3.4% in 2024, primarily due to the increase in our net profit outpacing the increase in our total assets.

Gearing ratio

Our gearing ratio decreased from 65.6% as of December 31, 2022 to 58.4% as of December 31, 2023, primarily due to the increase in our total assets outpacing the growth of our borrowings and lease liabilities. Our gearing ratio further decreased from 58.4% as of December 31, 2023 to 50.4% as of December 31, 2024, primarily due to the increase in our total assets as well as the decrease in our borrowings and lease liabilities.

Gross profit margin and net profit margin

Please refer to the subsection headed "— Period-to-period comparison of results of operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

FINANCIAL RISKS MANAGEMENT

We are exposed to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. Our overall risk management strategy seeks to minimize potential adverse effects of the aforesaid risks on our financial performance. For details, please refer to Note 39 to the Accountant's Report in Appendix I to this Document.

Foreign currency risk

Our subsidiaries mainly operate in China, the United States, and Japan. The majority of our transactions are settled in RMB, USD, and JPY, which are the functional currency of the our entities to which the transactions relate. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries.

The following table sets forth a summary of our exposure to currency risk:

	Exposure to foreign currencies as of December 31, 2022			
	USD	JPY	Other currencies	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets	1,722,078	3,007	6,015	1,731,100
Liabilities	(510,265)	(11,672)	–	(521,937)
Net exposure	1,211,813	(8,665)	6,015	1,209,163

	Exposure to foreign currencies as of December 31, 2023			
	USD	JPY	Other currencies	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets	1,211,165	6,749	8,836	1,226,750
Liabilities	(289,431)	(7,127)	(7)	(296,565)
Net exposure	921,734	(378)	8,829	930,185

	Exposure to foreign currencies as of December 31, 2024			
	USD	JPY	Other currencies	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets	1,497,795	11,333	3,951	1,513,079
Liabilities	(471,109)	(3,491)	(125)	(474,725)
Net exposure	1,026,686	7,842	3,826	1,038,354

As of December 31, 2022, 2023, and 2024, if the RMB appreciates or depreciates by 5% against the USD, the net profit of our Group will increase or decrease by RMB60,591,000, RMB46,087,000 and RMB51,334,000. We believe that 5% is within a reasonable range of fluctuation in the RMB against the USD.

Other changes in foreign exchange rates have no significant impact on foreign currency risk.

Interest rate risk

Our bank borrowings bears floating rates expose us to cash flow interest rate risk. Other than the interest-bearing bank deposits, we have no other significant interest-bearing assets bearing variable interest rates. It is not anticipated there is any significant impact to these interest-bearing assets resulted from the changes in interest rates because the interest rates of bank balances are not expected to change significantly. Based on the balance of our interest-bearing borrowings as of December 31, 2022, 2023, and 2024, it is estimated that should there be a general increase/decrease of 100 basis point change in interest rates, our profit for the years ended December 31, 2022, 2023, and 2024 would decrease/increase by approximately RMB561,000, RMB582,000, and RMB1,784,000, respectively.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. Our credit risk is primarily attributable to trade receivables and other financial assets at amortized cost.

Trade receivables from third parties

The Group's policy is to deal with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Shorter or no credit terms are granted to the customers who are not considered creditworthy are required to pay on delivery of goods and services. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

As of December 31, 2022, 2023, and 2024, in terms of gross carrying amounts, 39.1%, 28.2%, and 42.6% of the total trade receivables was due from the Group's largest customer, and 62.7%, 69.3%, and 68.8% of the total trade receivables were due from the Group's top five customers.

We applied the simplified approach to provide for impairment for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables. For trade receivables, we assesses ECL under IFRS 9 based on shared credit risk characteristics and aging as well as the corresponding historical credit losses during that period. Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to engage with the Group on alternative payment arrangement is considered indicators of no reasonable expectation of recovery.

Other financial assets at amortized cost

Other financial assets at amortized cost include deposits, other receivables, pledged deposits and cash at bank.

In order to minimize the credit risk of deposits and other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information, and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group applies the IFRS 9 three-stage approach to measure ECL for deposits and other receivables.

As of December 31, 2022, 2023, and 2024, since the credit risk of deposits and other receivables of approximately RMB4.1 million, RMB4.9 million, and RMB9.5 million is considered not significantly increased since initial recognition, therefore the impairment provision is determined as 12 months ECL, and ECL rates of 5%, 5%, and 5%, were provided.

As of December 31, 2022, 2023, and 2024, the Group determine that the credit risk of deposits and other receivables of approximately RMB0.6 million, RMB4.3 million, and RMB8.1 million is considered significantly increased since initial recognition, therefore the impairment provision is determined as lifetime ECL (non-credited impaired), and ECL rates of 10.49%, 11.35% and 30.52%, were provided, while RMB5.6 million, RMB5.2 million and RMB2.7 million is determined as lifetime ECL (credited impaired) respectively, therefore, full provision was provided as at December 31, 2022, 2023, and 2024.

To manage the risk arising from pledged deposits and cash at banks, the Group mainly transacts with banks with high credit rating. There has been no recent history of default in relation to these financial institutions and therefore the expected credit loss is minimal.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, we aim to maintain flexibility in funding by maintaining adequate cash and cash equivalents.

DIVIDEND AND DIVIDEND POLICY

Pursuant to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2023 Revision) (《上市公司監管指引第3號 —上市公司現金分紅(2023年修訂)》) and Articles of Association, within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average distributable profits realized in the latest three years. The specific dividend ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general shareholders' meeting.

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

During the Track Record Period, we had declared and paid interim dividends totalling RMB8.0 million and final dividends totalling RMB35.7 million to our A Shareholders for the year ended December 31, 2024. For further information, please refer to Note 12 of the Accountants' Report in Appendix I to this Document. We had also declared dividends of RMB0.22 per share, totalling RMB59.0 million for the year ended December 31, 2024, which had not been paid as of the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As of December 31, 2024, we had retained earnings of RMB534.8 million. Our retained earnings represented the distributable reserves available for distribution to our Shareholders.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II — Unaudited [**REDACTED**] Financial Information to this document for details of our unaudited [**REDACTED**] adjusted consolidated net tangible assets.

[REDACTED]

[**REDACTED**] represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. Assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), [**REDACTED**] to be borne by us are estimated to be HK$[**REDACTED**], comprising: (i) [**REDACTED**], [**REDACTED**], SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy of HK$[**REDACTED**]; and (ii) [**REDACTED**] of HK$[**REDACTED**], which are further categorized into: (a) fees and expenses of legal advisers and accountants of HK$[**REDACTED**]; and (b) other fees and expenses of HK$[**REDACTED**]. Amongst the [**REDACTED**], HK$[**REDACTED**] was charged or is expected to be charged to our consolidated statements of profit or loss, and HK$[**REDACTED**] is expected to be deducted from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] are expected to represent approximately [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and that the [**REDACTED**] is not exercised. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2024, which is the end date of the years reported on in the Accountants' Report as set out in Appendix I to this document, and there is no event since December 31, 2024 which would materially affect the information in the Accountants' Report as set out in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For further details of our future plans, see the sections headed "Business — Our future strategies" in this Document.

[**REDACTED**]

We estimate the net [**REDACTED**] of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this [**REDACTED**]), will be approximately HK$[**REDACTED**], after the deduction of [**REDACTED**] and estimated expenses payable by us in connection with the [**REDACTED**], and assuming that the [**REDACTED**] is not exercised.

In line with our future strategies, we intend to use our [**REDACTED**] from the [**REDACTED**] for the following purposes assuming the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range):

Enhancing our production capacity for our photonics, broadband, and wireless solutions

- We intend to use approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to enhance production capacity at our facilities as well as our current and future co-location partners' facilities. This includes procuring and installing machinery and software tailored to the following types of products we manufacture, and to collaborate with our co-location partners to increase the production capacity:

  Our photonics solution

  - We intend to allocate approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], towards our photonics solutions, including our 800G/1.6T photonics products.

  - According to F&S, the photonics industry is projected to experience sustained growth due to the rising global demand for high-speed data transmission and the expansion of data-intensive applications. It is anticipated that the sales revenue of the global photonics industry will reach USD41.5 billion by 2029, with a CAGR of 18.5% from 2024. Specifically, 800G photonics, which exhibited a remarkable CAGR of approximately 188.1% from 2020 to 2024, is expected to maintain its rapid growth, with a projected CAGR of 19.1% from 2024 to 2029. Concurrently, 1.6T photonics is forecasted to undergo explosive growth from 2024 to 2029, with an anticipated CAGR of 180.0%.

  - In light of these projections, we will allocate resources towards the procurement and installation of machinery and software, tailored to our photonics products. Notable machinery may include (i) high-precision equipment used for attaching semiconductor chips to substrates; (ii) high-reliability bonding equipment used in semiconductor packaging; (iii) high-precision alignment equipment used for aligning optical components; (iv) automated high-precision measurement tools; (v) automated systems used for testing the reliability and performance of packaged chips; and (vi) other testing equipment used for various optical and electrical tests on photonics components. Additionally, we may collaborate with co-location partners to expand production lines and increase capacity for photonics products. By enhancing our capabilities in photonics, we aim to capitalize on the high-growth market opportunities identified.

Our broadband solutions

- We intend to allocate [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], towards our broadband solutions, including our 50G/25GPON products.

- According to F&S, the market for PON devices is projected to experience significant growth, reaching USD11.9 billion by 2029, with a CAGR of approximately 8.8% from 2024. Notably, the combined 50G/25GPON market is expected to reach USD5.7 billion by 2029, with a CAGR of 99.8% from 2024, positioning these technologies as key drivers of next-generation broadband infrastructure.

- In light of these projections, we will allocate resources towards the procurement and installation of machinery and software tailored to our broadband products. Notable machinery may include (i) pick-and-place machines used for placing components onto PCBs with high accuracy; (ii) automatic insertion machines used for inserting components into PCBs automatically; (iii) automatic optical inspection machines for inspecting solder joints before reflow soldering; (iv) reflow ovens for soldering components onto PCBs by heating them to a specific temperature; and (v) screen printers used for applying solder paste onto PCBs. Additionally, we may collaborate with co-location partners to expand production lines and increase capacity for broadband products. By enhancing our capabilities in broadband solutions, we aim to capitalize on the high-growth market opportunities and sustain our growth trajectory.

Our wireless solutions

- We intend to allocate [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], towards our wireless solutions, including our Wi-Fi 7 and Wi-Fi 8 products.

- According to F&S, the global wireless network access device industry is expected to continue its growth, driven by technological advancements in Wi-Fi standards, the continuous rollout of 5G networks, and the increasing demand for connected devices. Moreover, Wi-Fi 7 products are anticipated to become a foundational technology to meet the rising demands of both consumers and businesses, positioning their market trajectory for substantial growth. The global sales revenue of Wi-Fi 7 products is projected to reach USD13.8 billion by 2029, representing a CAGR of 82.2% from 2024.

- In light of these projections, we will allocate resources towards the procurement and installation of machinery and software tailored to our wireless products. Notable machinery may include (i) fully automatic dual-track transfer machines used for transferring PCBs between different stages of the production line; (ii) high-speed placement machines used for placing components onto PCBs with high precision; and (iii) automated optical inspection machines used for inspecting PCBs for defects using 3D measurement technology. Additionally, we may collaborate with co-location partners to expand production lines and increase capacity for wireless products. By enhancing our capabilities in wireless solutions, we aim to maintain our competitive market position and seize the upcoming opportunities.

Enhance our R&D talents and skills to achieve more breakthroughs

- We intend to allocate approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to further enhance our R&D talents and skills to achieve more R&D breakthroughs. We believe that continuous investment in R&D is crucial for maintaining our technological and product leadership. Our R&D expenses represented 7.1%, 8.9%, and 8.8% of our total revenue for the years ended December 31, 2022, 2023, and 2024, respectively. Additionally, our cumulative R&D investments during the Track Record Period exceeded RMB1.2 billion. In order to fuel our future growth and to enhance our overall competitiveness, we intend to increase our R&D commitment through the following specific strategies:

  Recruitment of R&D talents

  ○ We intend to use [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], to be used for the recruitment of specialized R&D professionals.

  ○ We recognize that international talents are invaluable assets to our organization. Over the years, we have successfully attracted numerous top global talents with extensive industry experience. As of December 31, 2024, our R&D team consisted of 630 members, making up over 50% of our total workforce. Our core team and R&D staff hail from some of the world's most prestigious institutions.

  ○ Moving forward, we will continue to lead the market by investing in R&D and recruiting top talents. To this end, we will allocate resources to recruit a total of between 30 and 50 R&D professionals, covering all the fields in relation to photonics, broadband and wireless technologies. Our future R&D recruitment will focus on the following positions and qualifications: (i) senior optical engineers with degrees in optical engineering or related fields, and extensive experience in optical design and testing; (ii) senior firmware development engineers with degrees in computer science or electrical engineering, and experience in firmware development and hardware-software integration; (iii) project managers with business or engineering degrees and significant project management experience; (iv) senior hardware engineers with degrees in electrical or computer engineering, and experience in hardware design; (v) senior radio frequency engineers, with engineering degrees and experience in radio frequency; (vi) senior technical support engineers with IT or computer science degrees and experience in IT; (vii) senior automation test engineers with engineering degrees and software engineering backgrounds and experience in the automation test development; and (viii) process engineers with degrees in chemical or mechanical engineering and process improvement experience. These experts will be recruited from or be strategically placed in our R&D centers in, the United States, Europe or Asia.

Upgrades on machinery and software to support our R&D efforts

- ○ We will also use approximately [**REDACTED**]% of the net [**REDACTED**], or around HK$[**REDACTED**], to support the continued R&D of our manufacturing technologies through acquiring advanced machinery and software.

- ○ The focus will be on intelligentization and automation, driving efficiency and innovation in our production processes. Notable machinery may include: (i) high-precision optical testing devices used for evaluating and analyzing the quality and performance of optical signals; (ii) electrical testing device used for assessing the quality and performance of electrical signals; (iii) electrical jitter test kits for measuring and analyzing the jitter characteristics of electrical signals; and (iv) high-precision flip chip bonding equipment used for high-precision chip bonding, suitable for advanced packaging technologies, among other technologies that may emerge in the market that we consider essential to push our future R&D efforts.

Materials used to support our R&D efforts

- ○ Furthermore, approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], will be used for the acquisition of essential materials to support our R&D efforts. This investment will support our cutting-edge research projects, ensuring we remain at the forefront of technological advancements.

Enhance our business promotion and marketing efforts

- We will use approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for business promotion and marketing, by executing the following sales and marketing strategies:

Recruitment of sales and marketing talents

- ○ We will use approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], to enhance our sales and marketing team's capabilities. This includes expanding the size of our sales and marketing team, improving their sales and marketing skills, and other general marketing activities.

- ○ We have established regional sales and marketing teams for North America, Europe, China, and Southeast Asia. As of December 31, 2024, the size of our sales and marketing team reached a total of 82 personnel, localized to various markets around the world, mostly in proximity of existing or potential key customers. Our team identifies market opportunities and designs sales strategies to capitalize on them. Each major customer has a dedicated marketing manager and team. The sales manager works closely with the customers, R&D staff, and design engineers to create tailored products.

- ○ Moving forward, we intend to recruit a total of between 20 and 40 sales and marketing staff, covering both existing and emerging markets.

Industry associations and global events

○ We intend to use approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], to enhance our brand and reputation through increasing our memberships to industry associations and expand our market exposure and improve our customer reach by increasing our participation at global industry events.

○ We have been a member of many organizations and industry associations, signifying our leadership and influence in the industry, which has greatly benefited our business. For instance, we have been a member of the Broadband Forum for over a decade, a non-profit industry organization dedicated to designing smarter and faster broadband networks, and highly influential in the telecommunications industry. In 2011, we became one of the first companies to achieve BBF.247 certification, a significant program under the Broadband Forum, ensuring interoperability of GPON standards from different manufacturers. We will continue such memberships and expand our scope to increase our exposure.

○ Our marketing activities primarily include trade shows and exhibitions, but we also reach customers through forums and seminars. These platforms allow us to increase our exposure and showcase our technologies and products to potential customers. We often sponsor major events and participate as exhibitors with our dedicated booth, staffed with R&D, sales, and key personnel to showcase our technology and products. For example, we have regularly attended the Network X Exhibition at the Paris Expo Porte de Versailles in 2024, where we demonstrated our latest technologies and products to potential customers and gained insights into industry trends and the offerings of other manufacturers. We have also regularly attended the Optical Fiber Communication Conference and Exhibition, an annual industry event jointly organized by the Optical Society of America, the IEEE Communications Society, and the IEEE Lasers and Electro-Optics Society. By regularly presenting our solutions at such events, we demonstrated our innovative capabilities and leadership in the optoelectronics industry.

○ Moving forward, we will continue our push to showcase our solutions to a larger audience by exhibiting and sponsoring more such, or similar, events.

Strategic investments

- We will use approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to be used for overseas strategic investments to achieve our long-term growth strategy.

- Our Company's future investment strategy is designed to support our long-term growth by targeting businesses that exhibit synergies with our operations. Investment methods may include, but are not limited to, equity participation, joint ventures, and asset purchases. Potential investment targets may include upstream and downstream companies overseas and within the industry or value chain, particularly those involved in optical devices, chips and core ICs. Such products and key components can enhance our technological capabilities, provide strategic assurance, and continuously improve our supply chain delivery capacity while meeting diverse application scenarios. We may also seek downstream companies with strong market coverage and sales capabilities, whose complementary supply chains can help us rapidly expand market coverage and increase market share. Furthermore, we are interested in innovative companies with cutting-edge technologies or business models. Target companies should have management, technical, and sales teams with relevant industry knowledge and extensive experience. Additionally, we may look at startups in similar product and technology fields or suppliers of peripheral products related to our offerings.

- This approach aims to solidify our technological direction, expand our product range, and enhance the overall competitiveness of our product line.

Working capital

- Lastly, we will use approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for general corporate purposes, including working capital needs.

In the event that the [**REDACTED**] is set at the maximum [**REDACTED**], or the minimum [**REDACTED**], of the indicative [**REDACTED**] range, the net [**REDACTED**] of the [**REDACTED**] will increase, or decrease, by approximately HK$[**REDACTED**], respectively.

The additional net [**REDACTED**] that we would receive if the [**REDACTED**] is exercised in full would be (i) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the maximum [**REDACTED**]), (ii) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range), and (iii) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the minimum [**REDACTED**]).

To the extent that the net [**REDACTED**] from the [**REDACTED**] (including the net [**REDACTED**] from the exercise of the [**REDACTED**]) are either more or less than expected, we may adjust our allocation of the net [**REDACTED**] for the above purposes on a pro rata basis.

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or the applicable laws and regulations in other jurisdictions) so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

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[REDACTED]

[REDACTED]

The following is the text of a report received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CIG SHANGHAI CO., LTD. AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of CIG Shanghai Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2022, 2023 and 2024, the statements of financial position of the Company as at 31 December 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2022, 2023 and 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2022, 2023 and 2024, the Company's financial position as at 31 December 2022, 2023 and 2024 and of the Group's financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividend paid by the Company in respect of the Track Record Period.

[●]
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR
[●]

[●]
Practising Certificate No.: [●]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the historical financial information as at 31 December 2022, 2023 and 2024 and for the years then ended (the "Track Record Period") (the "Historical Financial Information") which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	3,783,739	3,085,362	3,649,889
Cost of sales		(3,095,104)	(2,421,267)	(2,887,642)
Gross profit		688,635	664,095	762,247
Other income, net	*6*	20,006	18,882	49,663
Other gains, net	*6*	34,776	31,133	24,458
Research and development expenses		(270,376)	(275,799)	(320,368)
Selling and marketing expenses		(58,106)	(70,484)	(90,065)
General and administrative expenses		(206,271)	(217,488)	(208,259)
Reversal/(Provision) of expected credit loss, net	*8*	27,751	4,698	(1,351)
Operating profit		236,415	155,037	216,325
Finance costs	*7*	(57,903)	(61,123)	(52,890)
Profit before income tax	*8*	178,512	93,914	163,435
Income tax (expense)/credit	*9*	(7,406)	1,051	3,606
Profit for the year		171,106	94,965	167,041
Other comprehensive expenses items that may be reclassified to profit or loss:				
Exchange loss on translation of financial statements of foreign operations		(8,922)	(3,403)	(1,845)
Total comprehensive income for the year		162,184	91,562	165,196
Profit/(Loss) for the year attributable to:				
Owners of the Company		171,106	95,018	166,681
Non-controlling interests		–	(53)	360
		171,106	94,965	167,041
Total comprehensive income/(expense) attributable to:				
Owners of the Company		162,184	91,615	164,836
Non-controlling interests		–	(53)	360
		162,184	91,562	165,196
Earnings per share:	*13*			
– Basic (RMB)		0.68	0.37	0.63
– Diluted (RMB)		0.65	0.35	0.61

Consolidated statements of financial position

	Notes	As at 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	14	612,417	525,089	655,566
Right-of-use assets	15	79,315	181,312	148,705
Prepaid lease payments	16	–	35,506	34,795
Goodwill	17	98,969	98,969	98,969
Intangible assets	18	579,417	591,424	543,698
Other financial assets		4,560	14,560	14,560
Deposits for acquisition of property, plant and equipment, and intangible assets	22	384	3,035	26,902
Deferred tax assets	31	30,216	31,137	32,448
		1,405,278	1,481,032	1,555,643
Current assets				
Inventories	20	1,729,540	1,573,454	1,685,544
Trade and bills receivables	21	1,606,878	1,115,577	1,238,116
Deposits, prepayments and other receivables	22	101,287	77,936	130,807
Tax recoverable		3,980	49,942	51,363
Pledged deposits	23	35,500	20,000	20,000
Cash and cash equivalents	23	354,707	417,977	507,341
		3,831,892	3,254,886	3,633,171
Current liabilities				
Trade and bills payables	24	1,780,381	864,443	1,234,954
Other payables and accruals	25	180,566	137,203	148,472
Contract liabilities	26	11,925	45,391	33,363
Bank borrowings	27	913,014	1,111,827	991,700
Other borrowings	28	175,090	41,609	–
Lease liabilities	30	44,927	37,670	20,134
Income tax payable		9,565	–	381
		3,115,468	2,238,143	2,429,004
Net current assets		716,424	1,016,743	1,204,167
Total assets less current liabilities		2,121,702	2,497,775	2,759,810
Non-current liabilities				
Bank borrowings	27	–	–	91,900
Other borrowings	28	93,881	–	–
Lease liabilities	30	36,999	145,887	135,938
Deferred income	29	30,281	29,622	42,513
Deferred tax liabilities	31	35,024	34,305	28,470
		196,185	209,814	298,821
Net assets		1,925,517	2,287,961	2,460,989
EQUITY				
Share capital	32	261,573	268,105	268,042
Reserves	33	1,663,944	1,869,909	2,042,640
Equity attributable to owners of the Company		1,925,517	2,138,014	2,310,682
Non-controlling interests		–	149,947	150,307
Total equity		1,925,517	2,287,961	2,460,989

Statements of financial position of the Company

	Notes	As at 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investments in subsidiaries	*19*	149,701	449,701	748,391
Property, plant and equipment		597,120	528,477	481,492
Right-of-use assets		36,649	16,687	–
Intangible assets		244,783	233,370	228,309
Other financial assets		–	10,000	10,000
Deposits for acquisition of property, plant and equipment, and intangible assets	*22*	384	1,364	14,456
Deferred tax assets		30,191	30,916	32,363
		1,058,828	1,270,515	1,515,011
Current assets				
Inventories	*20*	1,535,006	1,372,600	1,590,832
Trade and bills receivables	*21*	2,184,261	1,907,594	1,758,283
Deposits, prepayments and other receivables	*22*	92,132	39,066	257,734
Pledged deposits	*23*	35,500	20,000	20,000
Cash and cash equivalents	*23*	292,439	290,707	340,366
		4,139,338	3,629,967	3,967,215
Current liabilities				
Trade and bills payables	*24*	1,751,191	967,528	1,382,399
Other payables and accruals	*25*	141,376	143,027	256,492
Contract liabilities		1,813	329,406	284,432
Bank borrowings	*27*	913,014	1,111,827	991,700
Other borrowings	*28*	175,090	41,609	–
Lease liabilities		20,427	17,817	–
		3,002,911	2,611,214	2,915,023
Net current assets		1,136,427	1,018,753	1,052,192
Total assets less current liabilities		2,195,255	2,289,268	2,567,203
Non-current liabilities				
Bank borrowings	*27*	–	–	91,900
Other borrowings	*28*	93,881	–	–
Lease liabilities		17,692	42	–
Deferred income	*29*	30,281	29,622	40,143
Deferred tax liabilities		26,554	28,489	25,582
		168,408	58,153	157,625
Net assets		2,026,847	2,231,115	2,409,578
EQUITY				
Share capital	*32*	261,573	268,105	268,042
Reserves	*33*	1,765,274	1,963,010	2,141,536
Total equity		2,026,847	2,231,115	2,409,578

Consolidated statements of changes in equity

	Equity attributable to owners of the Company								
	Share capital	Capital reserve*	Shares held for restricted shares incentive scheme*	Statutory reserves*	Retained earnings*	Translation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2022	252,221	1,257,154	–	59,293	174,769	(700)	1,742,737	–	1,742,737
Transactions with owners:									
Issuance of shares in respect of restricted share incentive scheme *(note 34(a))*	9,352	49,648	(59,000)	–	–	–	–	–	–
Vesting of awarded shares under restricted shares incentive scheme *(note 34(a))*	–	15,620	–	–	–	–	15,620	–	15,620
Share-based payment expense in respect of share options *(note 34(b))*	–	4,976	–	–	–	–	4,976	–	4,976
Appropriation to statutory reserves	–	–	–	3,749	(3,749)	–	–	–	–
	9,352	70,244	(59,000)	3,749	(3,749)	–	20,596	–	20,596
Profit for the year	–	–	–	–	171,106	–	171,106	–	171,106
Other comprehensive expense	–	–	–	–	–	(8,922)	(8,922)	–	(8,922)
Total comprehensive income	–	–	–	–	171,106	(8,922)	162,184	–	162,184
Balance as at 31 December 2022 and 1 January 2023	261,573	1,327,398	(59,000)	63,042	342,126	(9,622)	1,925,517	–	1,925,517
Transactions with owners:									
Exercise of share options *(note 34(b))*	6,650	79,205	–	–	–	–	85,855	–	85,855
Repurchase of awarded shares under restricted shares incentive scheme *(note 34(a))*	(118)	(651)	769	–	–	–	–	–	–
Vesting of awarded shares under restricted shares incentive scheme *(note 34(a))*	–	34,037	–	–	–	–	34,037	–	34,037
Share-based payment expense in respect of share options *(note 34(b))*	–	990	–	–	–	–	990	–	990
Capital injection in a subsidiary	–	–	–	–	–	–	–	150,000	150,000
Appropriation to statutory reserves	–	–	–	8,321	(8,321)	–	–	–	–
	6,532	113,581	769	8,321	(8,321)	–	120,882	150,000	270,882
Profit for the year	–	–	–	–	95,018	–	95,018	(53)	94,965
Other comprehensive expense	–	–	–	–	–	(3,403)	(3,403)	–	(3,403)
Total comprehensive income	–	–	–	–	95,018	(3,403)	91,615	(53)	91,562
Balance as at 31 December 2023	268,105	1,440,979	(58,231)	71,363	428,823	(13,025)	2,138,014	149,947	2,287,961

	Equity attributable to owners of the Company								
	Share capital	Capital reserve*	Shares held for restricted shares incentive scheme*	Statutory reserves*	Retained earnings*	Translation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2024	268,105	1,440,979	(58,231)	71,363	428,823	(13,025)	2,138,014	149,947	2,287,961
Transactions with owners:									
Dividends declared	–	–	–	–	(43,691)	–	(43,691)	–	(43,691)
Repurchase of awarded shares under restricted shares incentive scheme *(note 34(a))*	(63)	(327)	390	–	–	–	–	–	–
Vesting of awarded shares under restricted shares incentive scheme *(note 34(a))*	–	9,610	–	–	–	–	9,610	–	9,610
Release of awarded shares under restricted shares incentive scheme	–	–	39,490	–	–	–	39,490	–	39,490
Share-based payment expense in respect of share options *(note 34(b))*	–	2,424	–	–	–	–	2,424	–	2,424
Appropriation to statutory reserves	–	–	–	17,063	(17,063)	–	–	–	–
Others	–	(1)	–	–	–	–	(1)	–	(1)
	(63)	11,706	39,880	17,063	(60,754)	–	7,832	–	7,832
Profit for the year	–	–	–	–	166,681	–	166,681	360	167,041
Other comprehensive expense	–	–	–	–	–	(1,845)	(1,845)	–	(1,845)
Total comprehensive income	–	–	–	–	166,681	(1,845)	164,836	360	165,196
Balance as at 31 December 2024	268,042	1,452,685	(18,351)	88,426	534,750	(14,870)	2,310,682	150,307	2,460,989

* These reserves accounts comprise the Group's reserves of RMB1,663,944,000, RMB1,869,909,000 and RMB2,042,640,000 as at 31 December 2022, 2023 and 2024 respectively.

Consolidated statements of cash flows

	Notes	Year ended 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Profit before income tax		178,512	93,914	163,435
Adjustments for:				
Depreciation of property, plant and equipment	*14*	141,714	130,583	123,951
Depreciation of right-of-use assets	*15*	49,396	50,688	42,470
Amortisation of prepaid lease payment	*16*	–	59	711
Amortisation of intangible assets	*18*	103,341	112,791	127,825
Exchange gains, net	*6*	(35,010)	(31,790)	(14,436)
Finance costs	*7*	57,903	61,123	52,890
Provision for inventories, net	*8*	18,512	3,741	4,114
Share-based payment expense	*34*	20,596	35,027	12,034
(Reversal)/provision for ECL allowances	*8*	(27,751)	(4,698)	1,351
Gain on disposal of a subsidiary	*6*	–	–	(6,281)
Gain on investment in a swap contract		–	–	(64)
Loss/(Gain) on disposal of property, plant and equipment		466	188	(2,005)
		507,679	451,626	505,995
Operating profit before working capital changes:				
(Increase)/Decrease in inventories		(507,486)	152,345	(116,204)
(Increase)/Decrease in trade and other receivables		(727,825)	473,542	(191,365)
Increase/(Decrease) in trade and other payables		785,682	(911,921)	380,152
Increase/(Decrease) in contract liabilities		4,670	33,466	(12,028)
Cash generated from operating activities		62,720	199,058	566,550
Income tax paid		(6,465)	(56,116)	(4,580)
Net cash generated from operating activities		56,255	142,942	561,970

		Year ended 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities				
Payments and deposits for acquisition of property, plant and equipment, and intangible assets		(179,718)	(167,596)	(306,583)
Payments for acquisition of prepaid lease payment		–	(35,565)	–
Payments for acquisition of subsidiaries		(21,510)	–	–
Proceeds from disposal of a subsidiary		–	–	6,281
Proceeds from disposal of property, plant and equipment		7,587	8,616	6,290
Payments for other financial assets		–	(10,000)	–
Proceeds from investment in a swap contract upon maturity		–	–	20,350
Payments for investment in a swap contract		–	–	(20,286)
Net cash used in investing activities		(193,641)	(204,545)	(293,948)
Cash flows from financing activities				
Proceeds from bank borrowings		1,432,719	1,727,924	1,640,585
Repayments of bank borrowings		(1,253,841)	(1,530,185)	(1,668,561)
Proceeds from other borrowings		265,550	–	–
Repayments of other borrowings		(184,559)	(249,303)	(43,107)
Payments of lease liabilities		(52,707)	(57,359)	(43,778)
Interest paid		(34,390)	(33,849)	(43,891)
Issuance of awarded shares under restricted shares incentive scheme		59,000	–	–
Exercise of share options		–	85,855	–
Capital injection from non-controlling interest	*19(a)*	–	150,000	–
Dividend paid		–	–	(41,981)
Net cash generated from/(used in) financing activities		231,772	93,083	(200,733)
Net increase in cash and cash equivalents		94,386	31,480	67,289
Cash and cash equivalents, at the beginning of the year		225,311	354,707	417,977
Effect of exchange rate changes on cash and cash equivalents		35,010	31,790	22,075
Cash and cash equivalents, at the end of the year	*23*	354,707	417,977	507,341

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

CIG Shanghai Co., Ltd. (the "Company") was incorporated in March 2006 as a limited liability company in Shanghai, the People's Republic of China (the "PRC"). In June 2012, the Company was transformed into a joint stock limited liability company. In November 2017, the Company's A shares were listed on the Shanghai Stock Exchange.

The Company and its subsidiaries (the "Group") are principally engaged in the research and development, production and sales of telecommunications, digital communication and enterprise network terminal equipment and high-speed optical module products.

In the opinion of the directors, the Company is controlled by the Single Largest Group of Shareholders.

The Company has direct and indirect interests in the following subsidiaries. Details of the principal subsidiaries are as follows:

Name of company	Place of establishment/ incorporation and place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest						As at the date of this report		Principal activities
				2022		2023		2024				
				Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
				(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
CIG Shanghai Communication Equipment Co., Ltd.* (上海劍橋通訊設備有限公司) *(note a)*	The PRC	Limited company	RMB205,000,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Trading
Actiontec Electronic (Shanghai), Inc.* ("Actiontec Shanghai") (邁智微電子(上海)有限公司) *(note a)*	The PRC	Limited company	RMB1,654,595	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Research and development
CIG Xi'an Co., Ltd.* (西安劍橋科技有限公司) *(note e)*	The PRC	Limited company	RMB10,000,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Research and development
CIG Wuhan Co., Ltd.* (上海劍橋科技(武漢)有限公司) *(note a)*	The PRC	Limited company	RMB10,000,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Manufacturing
Cambridge Industries Group Telecommunication Limited *(note b)*	Hong Kong	Limited company	HK$1	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Trading
CIG Photonics Japan Limited *(note e)*	Japan	Limited company	JPY10,000	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Research and development
CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司) ("CIG ZJ") *(note d)*	The PRC	Limited company	RMB450,000,000	N/A	N/A	66.67%	N/A	66.67%	N/A	66.67%	N/A	Manufacturing

Name of company	Place of establishment/ incorporation and place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest								Principal activities
				2022		2023		2024		As at the date of this report		
				Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
				(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	
CIG Optical Communication Co., Ltd.* (上海劍橋光通信技術有限公司) *(note a)*	The PRC	Limited company	RMB5,000,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Manufacturing
CIG Photonics Europe GmbH *(note e)*	Germany	Limited company	EUR25,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Trading
Cambridge Industries USA Inc. ("CIG US") (劍橋工業(美國)有限公司) *(note c)*	USA	Limited company	US$42,000,010	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Research and development, and trading
Actiontec Electronic, Inc. ("AEI") *(note e)*	USA	Limited company	US$10	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Research and development, and trading
Actiontec Electronics Taiwan Inc. (邁智微電子股份有限公司) *(note e)*	Taiwan	Limited company	TWD9,999,290	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Research and development
CIG Optics Limited *(note e)*	Hong Kong	Limited Company	HK$10,000	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Trading
CIG Tech Photonics Sdn. Bhd. *(note e)*	Malaysia	Limited Company	MYR1,000	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Trading

Notes:

(a) These subsidiaries are limited liability companies. The financial statements of these entities for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The financial statements for the years ended 31 December 2022 and 2023 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP* 立信會計師事務所(特殊普通合夥).

(b) This subsidiary is a limited company. The financial statements for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by The Hong Kong Institute of Certified Public Accountants. The financial statements for the years ended 31 December 2022 and 2023 were audited by W.L. HO CPA Limited.

(c) The subsidiary is a limited liability company. The financial statements for the years ended 31 December 2022 and 2023 were prepared in accordance with accounting principles generally accepted in the United States of America (the "USA") and were audited by UHY LLP.

(d) This subsidiary is limited liability company. The financial statements of this entity for the years ended 31 December 2023 and 2024 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The financial statements for the year ended 31 December 2023 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP* 立信會計師事務所(特殊普通合夥).

(e) No audited statutory financial statements have been prepared as it is not subject to statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation.

* English for identification only

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with the International Financial Reporting Standards, which collective term includes all applicable individual IFRS Accounting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards").

All standards, amendments, interpretations and annual improvements which are effective for the accounting period beginning from 1 January 2024 are consistently applied by the Group during the Track Record Period.

The material accounting policies that have been used in the preparation of these Historical Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

These Historical Financial Information have been prepared on a going concern basis, under the historical cost convention, except for certain financial assets at fair value through profit or loss ("FVTPL") which are carried at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

2.2 Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the Historical Financial Informational from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the Track Record Period between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statements of financial position, subsidiaries are carried at cost less any impairment loss (see note 2.20) unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at each reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Acquisition of subsidiaries

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration classified as equity is not subsequently remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as a financial liability is subsequently remeasured at each reporting dates at fair value with changes in fair value recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree. If the initial accounting for a business combination is incomplete by each reporting date in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4 Foreign currency translation

The Historical Financial Information are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at each reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates. Any differences arising from this procedure have been recognised in the consolidated statements of profit or loss and other comprehensive income and accumulated separately in the translation reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (see note 2.20), if any.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method over their estimated useful lives as follows:

Buildings	20 years
Machinery and equipment	5 to 10 years
Computer equipment	3 years
Motor vehicles	4 years
Leasehold improvements	Over the lease term
Office equipment	5 years

Accounting policy for depreciation of right-of-use assets is set out in note 2.14.

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress represents property, plant and equipment under construction and is stated at cost less any impairment losses. Cost includes cost of construction and other direct costs (such as costs of materials, direct labour and borrowing costs).

No provision for depreciation has been provided for construction in progress until such time relevant assets are available for use, at which time they will be transferred to appropriate category of property, plant and equipment.

2.6 Prepaid lease payments

"Prepaid lease payments" (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested at least annually for impairment (see note 2.20).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.8 Intangible assets (other than goodwill) and research and development activities

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 2.20). Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Patent	6.75 years
Software	10 years
Deferred development cost	5 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.20.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

2.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

– amortised cost; or

– FVTPL; or

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, interest income or other financial items, except for expected credit losses ("ECL") of trade and other receivables which is presented as separate line item in the consolidated statements of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, pledged deposits, trade and other receivables fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 apply.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank and other borrowings, leases liabilities and trade and bills payables, other payables and accruals.

Financial liabilities other than lease liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities other than lease liabilities are measured at amortised cost using the effective interest method which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in financial costs or other income.

Accounting policies of lease liabilities are set out in note 2.14.

Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Bank and other borrowings are subsequently stated at amortised cost; any difference between the net of transaction costs and the redemption value is recognised in profit or loss over the period of the bank and other borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless as at each reporting date, the Group has a right to defer settlement of the liability for at least twelve months after each reporting date.

Trade and bills payables and other payables and accruals

Trade and bills payables and other payables and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.10 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at each reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and bills receivables

For trade and bills receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential default at any point during the life of the financial assets. For trade receivables, the Group assesses ECL under IFRS 9 based on shared credit risk characteristics and aging as well as the corresponding historical credit losses during that period, and adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group writes off trade and bills receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Other financial assets measured at amortised cost

The Group measures the loss allowance for deposits and other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

Detailed analysis of the ECL assessment of trade and bills receivables and other financial assets measured at amortised cost are set out in note 39.5.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the first-in first-out basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

2.14 Leases

(a) Definition of a lease and the Group as lessee

At inception of a contract, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

– the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

– the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

– the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

– there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;

– the lease payments changes due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statements of financial position, right-of-use assets have been presented as a separate item. The prepaid lease payments for leasehold land are presented as "Prepaid lease payments" under non-current assets.

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) The Group as lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

Rental income is recognised on a straight-line basis over the term of the lease.

(c) Sale and leaseback transactions

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale in accordance with IFRS 15, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only. Right-of-use asset and lease liability with fixed payments are subsequently measured in accordance with the Group's accounting policies above.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

2.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at the reporting date. Any transaction costs associated with the issuing of shares are deducted from capital reserve (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to such equity transaction.

2.17 Revenue recognition

Revenue arises mainly from the sales of goods.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other income recognition policies are as follows:

Sale of goods

Revenue from the sale of goods for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. For non-cross-border sales, revenue is recognised when the products have been dispatched and the customer has signed for acceptance. For cross-border sales, revenue is recognised when the goods are delivered to the customer's designated location and upon receipt of export declaration from the customs and corresponding bill of lading.

The Group's standard sales terms are generally non-cancellable and non-returnable, other than for defective merchandise covered under the Group's standard warranty provision, which covers a one to two-year period depending on the product. The Group does not offer any extended warranties for purchase and warranty is recorded in cost of sales.

Sales-related warranties cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. The financial assets measured at amortised costs that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Rental income

Accounting policies for rental income are set out in note 2.14.

2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as "deferred income" in the consolidated statements of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets/deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under "other income" in the consolidated statements of profit or loss and other comprehensive income.

2.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.20 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill;
- Intangible assets;
- Property, plant and equipment (including right-of-use assets and deposits for acquisition of property, plant and equipment, and intangible assets);
- Prepaid lease payments; and
- Investments in subsidiaries in the Company's statements of financial position.

Goodwill and intangible assets those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

Retirement benefit

The Group contributes to defined contribution retirement plans which are available to eligible employees.

Contributions to the plans by the Group are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contributions payable by the Group to the funds.

During the Track Record Period, no forfeited contributions were utilised by the Group to reduce its contributions. The Group has no plan to utilise any amount from forfeited contributions to reduce its contributions for the future years either.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable at each reporting date.

Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to each reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for any related restructuring.

Share-based employee compensation

The Group operates restricted shares incentive schemes and share options schemes which are equity-settled share-based compensation plans for remuneration of its employees.

Restricted shares incentive schemes

The amount to be expensed as share-based payment expense is determined by reference to the fair value of the restricted shares granted. The total expense is recognised on a straight-line basis over the relevant vesting periods, with a corresponding credit to a "capital reserve" under equity.

For those restricted shares which are amortised over the vesting periods, the Group revises its estimates of the number of restricted shares that are expected to ultimately vest based on the vesting conditions at each reporting date. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to share-based payment expense in the current year, with a corresponding adjustment to the capital reserve.

For grant of restricted shares, shares held by the Group's trustee are disclosed as "Shares held for restricted shares incentive scheme" and deducted from equity.

Share option scheme

From the perspective of the Company, the grants of its equity instruments to employees of its subsidiaries are made in exchange for their services related to the subsidiaries. Accordingly, the share-based payment expenses are treated as part of the "Interest in a subsidiary" in the Company's statements of financial position.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "capital reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequent revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

If the share options and award shares granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services receive over the remainder of the vesting period is recognised immediately in profit or loss.

At the time when the share options are exercised, the amount previously recognised in "capital reserve" will be transferred to "share capital". After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in "capital reserve" will be transferred to "retained earnings".

2.22 Borrowing costs

Borrowing costs are recognised in profit or loss when they are incurred.

2.23 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at each reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in IAS 12 "Income Taxes" ("IAS 12") to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

 (i) the same taxable entity; or

 (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker ("CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

2.25 Related parties

For the purposes of these Historical Financial Information, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a company of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a group are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

At the date of authorisation of these Historical Financial Information, certain new and amended IFRS Accounting Standards have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature – Dependent Electricity[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual periods beginning on or after 1 January 2027

4 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first annual period beginning on or after the effective date of the pronouncement. All the new and amended IFRS Accounting Standards are not expected to have a material impact on the Historical Financial Information.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of trade and bills receivables, and deposits and other receivables

The Group makes allowances on items subjects to ECL (including trade and bills receivables, and deposits and other receivables and other financial assets measured at amortised cost) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at each reporting date as set out in note 2.10.

As at 31 December 2022, 2023 and 2024, the aggregate carrying amounts of trade and bills receivables, and deposits and other receivables amounted to RMB1,611,338,000, RMB1,124,018,000 and RMB1,252,776,000, net of loss allowance of RMB23,422,000, RMB18,724,000 and RMB20,075,000 respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bills receivables, and deposits and other receivables and related credit losses in the periods in which such estimate has been changed.

Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Net realisable value of inventories

Net realisable value of inventories is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at each reporting date. During the Track Record Period, the provision for inventories, net, amounting to RMB18,512,000, RMB3,741,000 and RMB4,114,000 have been provided during the years ended 31 December 2022, 2023 and 2024, respectively.

Impairment of non-financial assets

Items of property, plant and equipment, right-of-use assets, prepaid lease payments, deposits for acquisition of property, plant and equipment, and intangible assets and investments in subsidiaries in the Company's statements of financial position and intangible assets are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. This process requires management's estimate of future cash flows generated by each cash-generating unit ("CGU"). For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statements of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Business combinations

Business combinations other than under common control are accounted for under the acquisition method. The determination and allocation of fair values to the identifiable assets acquired, which mainly include determination of goodwill, is based on various assumptions and valuation methodologies requiring considerable management judgement. The most significant variables in these valuations are discount rates as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model of the acquired business and the industry comparisons. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material. Details are disclosed in notes 17 and 38.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.20. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenue and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. In addition, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on how the trends in inflation and market interest rates may progress or evolve. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in note 17.

Useful lives of property, plant and equipment (other than right-of-use assets) and intangible assets

The Group depreciates the property, plant and equipment (other than right-of-use assets) and intangible assets over the estimated useful lives, using the straight-line method, commencing from the date the property, plant and equipment and intangible assets are available for use. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment (other than right-of-use assets) and intangible assets. The Group assesses annually the useful lives of property, plant and equipment (other than right-of-use assets) and intangible assets, and if the expectation differs from the original estimate, such a difference may impact the depreciation for the Track Record Period and the future period.

Estimation of fair value of share option at the date of grant

The Company used the Black-Scholes Option Pricing Model to determine the fair value of the share options as at the grant date, which is to be recorded in profit or loss over the vesting period. The model inputs are set out in note 34(b). During the years ended 31 December 2022, 2023 and 2024, RMB4,976,000, RMB990,000 and RMB2,424,000 of employee compensation expenses, have been recognised in profit or loss respectively.

Estimation of fair value of other financial assets

As at 31 December 2022, 2023 and 2024, financial assets at FVTPL that are not traded in an active market including unlisted equity investments were carried at fair value of RMB4,560,000, RMB14,560,000 and RMB14,560,000 respectively. The fair values are determined by using valuation techniques, details of which are set out in note 39.7. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available. In that case the Group uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at each reporting date.

4.2 Critical accounting judgements

Capitalisation of research and development activities

Determining the development costs, including the time and costs for individual projects, to be capitalised requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life.

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software, products or know how are continuously monitored by the Group's management.

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

– contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);

– the extent of leasehold improvements undertaken by the Group;

– costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs); and

– extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

5. REVENUE AND SEGMENT INFORMATION

5.1 Revenue

During the Track Record Period, the Group was mainly engaged in the design, manufacture, and sale of broadband, wireless, and photonics solutions. Revenue from contracts with customers recognised at a point in time.

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Types of goods			
– Broadband solutions	2,059,278	1,827,146	2,032,689
– Wireless solutions	1,056,051	718,518	1,052,400
– Photonics solutions	478,215	446,680	491,527
– Others *(note)*	190,195	93,018	73,273
Total	3,783,739	3,085,362	3,649,889

Note: Primarily included carrier-grade ethernet switches and edge computing products.

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of products that had an original expected duration of one year or less.

5.2 Segment information

During the Track Record Period, the executive directors of the Company, being the CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, no segment analysis is presented.

Geographical information

The following table sets out the geographical information of the Group's revenue during the Track Record Period, which was determined based on geographical region of the customers.

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Geographical markets			
Mainland China	647,799	331,358	270,360
Other countries/other regions	3,135,940	2,754,004	3,379,529
Total	3,783,739	3,085,362	3,649,889

The following table sets out information about the Group's property, plant and equipment, right-of-use assets, prepaid lease payments, goodwill, intangible assets and deposits for acquisition of property, plant and equipment and intangible assets ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets or the location of operations. In the case of property, plant and equipment, prepaid lease payments, deposits for acquisition of property, plant and equipment, and right-of-use assets, the physical location of the assets, in the case of goodwill and intangible assets and deposits for acquisition of intangible assets, the location of operations.

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Geographical locations			
Mainland China	848,294	786,837	914,338
Other countries/other regions	522,208	648,498	594,297
Total	1,370,502	1,435,335	1,508,635

Information about major customers

The following table sets out the revenue from the Group's customers which individually contributed over 10% of the Group's revenue during the Track Record Period.

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Customer A	1,269,705	1,114,738	1,525,833
Customer B	471,107	630,150	N/A*
Customer C	N/A*	N/A*	471,561

* Revenue from the customer during the year did not individually exceeds 10% of the Group's revenue.

6. OTHER INCOME AND OTHER GAINS, NET

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government subsidies *(note a)*	16,575	10,096	30,950
Interest income	1,411	7,293	16,399
Others	2,020	1,493	2,314
	20,006	18,882	49,663
Other gains, net			
Exchange gains, net	35,010	31,790	14,436
Gain on disposal of subsidiary *(note b)*	–	–	6,281
Others	(234)	(657)	3,741
	34,776	31,133	24,458

Notes:

a. In addition to the government subsidies received in relation to the acquisition and/or construction of property, plant and equipment, the Group also received government grants for supporting the Group's operation unconditionally. During the year ended 31 December 2024, the Group received RMB15,000,000 from the Commission of China-Singapore Jiashan Modern Industrial Park for its operation.

b. During the year ended 31 December 2024, the Group disposed a wholly-owned subsidiary.

7. FINANCE COSTS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interests on bank borrowings	39,115	34,923	43,640
Interests on other borrowings	13,247	21,941	1,498
Interests on lease liabilities	5,541	4,259	7,752
	57,903	61,123	52,890

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Auditors' remuneration	2,918	3,096	3,147
Depreciation:			
– Owned assets	141,714	130,583	123,951
– Right-of-use assets	49,396	50,688	42,470
Total depreciation	191,110	181,271	166,421
Amortisation of intangible assets	103,341	112,791	127,825
Amortisation of prepaid lease payment	–	59	711
Cost of inventories recognised as an expense	2,605,292	2,056,286	2,471,156
Provision for inventories	18,512	3,741	6,510
Reversal of provision for inventories	–	–	(2,396)
Total provision, net	18,512	3,741	4,114
Lease charges:			
– Short-term leases	5,009	3,871	5,888
Reversal of ECL allowances on trade and bills receivables	(25,353)	(4,864)	(218)
ECL allowances on trade and bills receivables	–	155	1,748
Reversal of ECL allowances on deposits and other receivables	(2,398)	–	(179)
ECL allowances on deposits and other receivables	–	11	–
Total (reversal)/provision, net	(27,751)	(4,698)	1,351

9. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC enterprise income tax ("EIT")	3,650	84	303
US income tax	7,135	1,816	3,205
Japan corporate income tax	2,732	(1,321)	82
Germany income tax	–	10	–
	13,517	589	3,590
(Over)/Under provision for prior year			
PRC EIT	–	–	(80)
US income tax	–	–	30
	–	–	(50)
	13,517	589	3,540
Deferred taxation			
Origination and reversal of temporary difference *(note 31)*	(6,111)	(1,640)	(7,146)
Income tax expense/(credit)	7,406	(1,051)	(3,606)

(a) PRC EIT

The Company was accredited as High and New Technology Enterprise on 12 December 2020 and 15 November 2023, and therefore entitled to a preferential tax rate of 15% for three years ended 15 November 2023 and 15 November 2026, respectively. The Group's other PRC subsidiaries are subject to the PRC enterprise income tax at the standard rate of 25% on the estimated assessable profits.

In addition, according to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 200% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

(b) US income tax

The applicable state income tax rate in the United States, where the Company's subsidiaries have significant operations for the years ended 31 December 2022, 2023, and 2024, ranges from 4%-8.99%, while the federal income tax rate is 21%.

(c) Japan corporate income tax

Japan corporate income tax include national corporate income tax, inhabitants tax, and enterprise tax, and has been calculated on the estimated assessable profit for the year. During the Track Record Period, the aggregated rates of national corporate income tax, inhabitants tax, and enterprise tax resulted in statutory income tax rate of 35%.

(d) Hong Kong profit tax

During the Track Record Period, no Hong Kong profit tax has been provided as the Company's subsidiaries have no assessable profit for the years ended 31 December 2022, 2023 and 2024.

(e) Germany income tax

Germany taxes its corporate residents on their worldwide income. Corporation tax is levied at a uniform rate of 15% and is then subject to a surcharge (solidarity surcharge). This results in a total tax rate of 19%.

Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates is as follow:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	178,512	93,914	163,435
Tax on profit before income tax, calculated at the Company's rate, 15%	26,777	14,087	24,515
Tax effect of non-deductible expenses	102	461	117
Tax effect of tax losses/deductible temporary differences not recognised	14,278	15,922	7,275
Utilisation of tax losses previously not recognised	(42,751)	(2,723)	(3,568)
Effect of different tax rates of subsidiaries operating in other jurisdictions	30,522	(1,274)	(2,816)
Research and development expenses and other additional deduction as required by taxation laws	(21,262)	(28,887)	(29,510)
Over-provision in prior year	–	–	(50)
Others	(260)	1,363	431
Income tax expense/(credit)	7,406	(1,051)	(3,606)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	322,449	309,979	289,967
Share based payment expenses	20,596	35,027	12,034
Contribution to retirement benefit schemes	36,388	29,818	49,637
Other employee benefits	42,788	33,323	50,300
	422,221	408,147	401,938

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' Emoluments

The emoluments paid or payable to each of the directors and supervisors were as follows:

	Year ended 31 December 2022				
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Gerald G Wong (chairman)	–	2,610	–	–	2,610
Zhao Haibo	–	1,707	65	–	1,772
Wang Zhibo *(i)*	–	389	20	11	420
Xie Chong *(ii)*	–	1,410	–	177	1,587
Zhang Jie *(iii)*	–	514	35	131	680
Independent non-executive directors					
Liu Guisong	80	–	–	–	80
Qin Guisen	80	–	–	–	80
Yao Minglong	80	–	–	–	80
Supervisors					
Ge Yunrui *(v)*	–	121	18	–	139
Li Peng *(iv)*	–	24	3	–	27
Yang Xudi *(ix)*	–	639	65	–	704
Zhang Deyong *(ix)*	–	705	65	–	770
	240	8,119	271	319	8,949

	Year ended 31 December 2023				
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Gerald G Wong (chairman)	–	2,610	–	–	2,610
Xie Chong *(ii)*	–	1,464	–	249	1,713
Zhang Jie *(iii)*	–	985	70	255	1,310
Zhao Haibo	–	1,711	70	–	1,781
Independent non-executive directors					
Liu Guisong	80	–	–	–	80
Qin Guisen	80	–	–	–	80
Yao Minglong	80	–	–	–	80
Supervisors					
Yuan yuan *(vi)*	–	91	12	–	103
Li Peng *(iv)*	–	54	6	–	60
Yang Xudi *(ix)*	–	713	70	–	783
Zhang Deyong *(ix)*	–	705	70	–	775
	240	8,333	298	504	9,375

	Year ended 31 December 2024				
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Gerald G Wong (chairman)	–	2,611	–	–	2,611
Xie Chong *(ii)*	–	552	–	29	581
Zhao Haibo	–	1,711	73	–	1,784
Zhao Hongwei *(vii)*	–	775	46	12	833
Zhang Jie *(iii)*	–	1,081	73	75	1,229
Independent non-executive directors					
Liu Guisong	92	–	–	–	92
Qin Guisen	92	–	–	–	92
Yao Minglong	92	–	–	–	92
Supervisors					
Yin Ying *(viii)*	–	132	14	–	146
Yang Xudi *(ix)*	–	313	27	–	340
Yuan yuan *(vi)*	–	155	19	–	174
Wang Huan *(viii)*	–	120	14	–	134
Zhang Deyong *(ix)*	–	328	27	–	355
	276	7,778	293	116	8,463

(i) Wang Zhibo was resigned as director of the Company on 28 April 2022.

(ii) Xie Chong was resigned as director of the Company on 14 June 2024.

(iii) Zhang Jie was appointed as director of the Company on 28 June 2022.

(iv) Li Peng was appointed and resigned as supervisor on 31 October 2022 and 25 April 2023 respectively.

(v) Ge Yunrui was resigned as supervisor on 31 October 2022.

(vi) Yuan Yuan was appointed as supervisor on 25 April 2023.

(vii) Zhao Hongwei was appointed as director of the Company on 14 June 2024.

(viii) Yin Ying and Wang Huan were appointed as supervisor on 17 May 2024.

(ix) Yang Xudi and Zhang Deyong were resigned as supervisor on 17 May 2024.

11.2 Five highest paid individuals emoluments

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022, 2023 and 2024 include 1, 1 and 1 director whose emoluments were disclosed in Note 11.1 above. The aggregate of the emoluments of the remaining 4, 4 and 4 individuals for the years ended 31 December 2022, 2023 and 2024 were as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	10,885	10,859	9,101
Share based payment expenses	39	179	182
Total	10,924	11,038	9,283

The above individuals' emoluments are within the following band:

	Year ended 31 December		
	2022	2023	2024
HK$2,000,001 to HK$2,500,000	–	–	3
HK$2,500,001 to HK$3,000,000	2	1	1
HK$3,000,001 to HK$3,500,000	1	3	–
HK$3,500,001 to HK$4,000,000	–	–	–
HK$4,000,001 to HK$4,500,000	1	–	–

No director or the five highest paid individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No director or the five highest paid individual has waived or agreed to waive any emoluments during the Track Record Period.

12. DIVIDENDS

(a) Dividends attributable to the Track Record Period

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Ordinary A shares			
Interim dividend of RMB0.3 per 10 shares	–	–	8,041

(b) Dividends attributable to the previous financial year, approved and paid during the Track Record Period

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Ordinary A shares			
Final dividend in respect of the previous financial year, of RMB1.33 per 10 shares	–	–	35,650

The final dividend of RMB1.33 per 10 shares, totaling RMB35,650,000, for the year ended 31 December 2023 proposed after the 31 December 2023 has not been recognised as a liability as at 31 December 2023, but reflected as an appropriation of retained earnings for the year ended 31 December 2023.

The final dividend of RMB0.22 per shares, totaling RMB58,969,000, for the year ended 31 December 2024 proposed after the 31 December 2024 has not been recognised as a liability as at 31 December 2024, but reflected as an appropriation of retained earnings for the year ended 31 December 2024.

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue excluding shares held for share award schemes during the Track Record Period.

	Year ended 31 December		
	2022	2023	2024
Profit attributable to owners of the Company *(RMB'000)*	171,106	95,018	166,681
Weighted average number of ordinary shares in issue excluding shares held for share award schemes (thousand shares)	252,221	258,347	264,417
Basic EPS (RMB per share)	0.68	0.37	0.63

(b) Diluted

The restricted shares incentive and shares options schemes (see note 34) granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted EPS).

	Year ended 31 December		
	2022	2023	2024
Profit attributable to owners of the Company *(RMB'000)*	171,106	95,018	166,681
Weighted average number of ordinary shares in issue excluding shares held for share award schemes (thousand shares)	252,221	258,347	264,417
Adjustments for share options and awarded shares (thousand shares)	9,352	9,504	7,247
Weighted average number of ordinary shares used in calculating diluted EPS (thousand shares)	261,573	267,851	271,664
Diluted EPS (RMB per share)	0.65	0.35	0.61

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building	Machinery and equipment	Computer equipment	Leasehold improvements	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022								
Cost	92,581	937,291	61,382	111,617	1,013	6,982	119,672	1,330,538
Accumulated depreciation	(32,018)	(435,309)	(55,110)	(76,523)	(1,013)	(5,015)	–	(604,988)
Net book amount	60,563	501,982	6,272	35,094	–	1,967	119,672	725,550
Year ended 31 December 2022								
Opening net book amount	60,563	501,982	6,272	35,094	–	1,967	119,672	725,550
Additions	–	27,072	3,643	411	–	219	3,551	34,896
Additions through acquisition of subsidiaries *(note 38)*	–	–	101	–	59	6	–	166
Transfer	–	63,298	2,010	–	–	7	(65,315)	–
Disposals	–	(6,267)	(135)	–	–	(79)	–	(6,481)
Depreciation	(4,629)	(121,582)	(3,625)	(11,022)	–	(856)	–	(141,714)
Closing net book amount	55,934	464,503	8,266	24,483	59	1,264	57,908	612,417
As at 31 December 2022 and 1 January 2023								
Cost	92,581	1,006,620	64,150	112,028	1,072	6,900	57,908	1,341,259
Accumulated depreciation	(36,647)	(542,117)	(55,884)	(87,545)	(1,013)	(5,636)	–	(728,842)
Net book amount	55,934	464,503	8,266	24,483	59	1,264	57,908	612,417
Year ended 31 December 2023								
Opening net book amount	55,934	464,503	8,266	24,483	59	1,264	57,908	612,417
Additions	–	8,846	317	–	–	14	43,014	52,191
Transfer	–	74,891	2,074	–	–	32	(76,997)	–
Disposals	–	(8,491)	(409)	–	–	(36)	–	(8,936)
Depreciation	(4,629)	(110,313)	(3,578)	(11,270)	(5)	(788)	–	(130,583)
Closing net book amount	51,305	429,436	6,670	13,213	54	486	23,925	525,089

	Building	Machinery and equipment	Computer equipment	Leasehold improvements	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023 and 1 January 2024								
Cost	92,581	1,041,679	63,791	112,028	1,072	6,703	23,925	1,341,779
Accumulated depreciation	(41,276)	(612,243)	(57,121)	(98,815)	(1,018)	(6,217)	–	(816,690)
Net book amount	51,305	429,436	6,670	13,213	54	486	23,925	525,089
Year ended 31 December 2024								
Opening net book amount	51,305	429,436	6,670	13,213	54	486	23,925	525,089
Additions	–	21,492	1,810	3,047	1,057	3,102	228,999	259,507
Transfer	–	24,773	705	–	–	79	(25,557)	–
Disposals	–	(3,265)	(962)	–	–	(172)	–	(4,399)
Depreciation	(4,629)	(104,255)	(3,143)	(11,291)	(1)	(632)	–	(123,951)
Exchange differences	–	(509)	(34)	–	–	(137)	–	(680)
Closing net book amount	46,676	367,672	5,046	4,969	1,110	2,726	227,367	655,566
As at 31 December 2024								
Cost	92,581	1,028,575	55,777	115,075	2,129	7,199	227,367	1,528,703
Accumulated depreciation	(45,905)	(660,903)	(50,731)	(110,106)	(1,019)	(4,473)	–	(873,137)
Net book amount	46,676	367,672	5,046	4,969	1,110	2,726	227,367	655,566

15. RIGHT-OF-USE ASSETS

The Group

	Premises and building
	RMB'000
As at 1 January 2022	
Cost	170,605
Accumulated depreciation	(53,295)
Net book amount	117,310
Year ended 31 December 2022	
Opening net book amount	117,310
Additions	11,401
Depreciation	(49,396)
Closing net book amount	79,315
As at 31 December 2022 and 1 January 2023	
Cost	182,006
Accumulated depreciation	(102,691)
Net book amount	79,315
Year ended 31 December 2023	
Opening net book amount	79,315
Additions	154,731
Early termination of a lease	(2,046)
Depreciation	(50,688)
Closing net book amount	181,312
As at 31 December 2023 and 1 January 2024	
Cost	308,452
Accumulated depreciation	(127,140)
Net book amount	181,312
Year ended 31 December 2024	
Opening net book amount	181,312
Additions	8,541
Early termination of a lease	(162)
Depreciation	(42,470)
Exchange differences	1,484
Closing net book amount	148,705
As at 31 December 2024	
Cost	239,137
Accumulated depreciation	(90,432)
Net book amount	148,705

16. PREPAID LEASE PAYMENTS

The Group

The prepaid lease payments represent prepayments in relation to leases of land in the PRC. The prepaid lease payments fall into the scope of IFRS 16 "Leases" as it meets the definition of right-of-use assets. The movements in their net carrying amounts are analysed as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Opening net carrying amount	–	–	35,506
Additions	–	35,565	–
Amortisation	–	(59)	(711)
Closing net carrying amount	–	35,506	34,795

17. GOODWILL

The Group

	RMB'000
At 1 January 2022	–
Arising on acquisition through business combination *(note 38)*	98,969
At 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	98,969

Note: During the year ended 31 December 2022, the Group completed the acquisition of subsidiaries (see note 38).

Goodwill of RMB98,969,000 has been allocated to respective CGU of the subsidiaries acquired for impairment testing. Management performed impairment assessments on the goodwill as at 31 December 2022, 2023 and 2024. The recoverable amount of the CGUs is determined based on value in use calculations based on five-year financial budgets. The following table sets forth each key assumptions of CGUs on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2022	2023	2024
Revenue annual growth rate during the forecast period	(11.63%)-14.01%	0%-14.01%	0%-73.30%
Pre-tax discount rate	17.88%	18.97%	19.83%
Terminal growth rate	0%	0%	0%

The expected revenue annual growth rates increased significantly mainly due to new products developed. Based on management's assessment on the recoverable amount of the CGUs, no impairment provision was considered necessary as at 31 December 2022, 2023 and 2024. The management believes that any reasonably possible changes in the key assumptions would not cause the carrying amount of CGUs to exceed the recoverable amount of the CGUs as at 31 December 2022, 2023 and 2024.

18. INTANGIBLE ASSETS

The Group

	Patent	Software	Deferred development cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022				
Cost	65,600	156,624	610,833	833,057
Accumulated amortisation and impairment	(26,726)	(70,207)	(201,596)	(298,529)
Net book amount	38,874	86,417	409,237	534,528
Year ended 31 December 2022				
Opening net book amount	38,874	86,417	409,237	534,528
Additions	–	10,310	137,617	147,927
Additions from acquisition of a subsidiaries *(note 38)*	–	303	–	303
Amortisation	(9,719)	(16,988)	(76,634)	(103,341)
Closing net book amount	29,155	80,042	470,220	579,417
As at 31 December 2022 and 1 January 2023				
Cost	65,600	167,237	748,450	981,287
Accumulated amortisation and impairment	(36,445)	(87,195)	(278,230)	(401,870)
Net book amount	29,155	80,042	470,220	579,417
Year ended 31 December 2023				
Opening net book amount	29,155	80,042	470,220	579,417
Additions	–	1,591	124,396	125,987
Disposals	–	(27)	(1,162)	(1,189)
Amortisation	(9,718)	(17,306)	(85,767)	(112,791)
Closing net book amount	19,437	64,300	507,687	591,424
As at 31 December 2023 and 1 January 2024				
Cost	65,600	168,712	871,040	1,105,352
Accumulated amortisation and impairment	(46,163)	(104,412)	(363,353)	(513,928)
Net book amount	19,437	64,300	507,687	591,424
Year ended 31 December 2024				
Opening net book amount	19,437	64,300	507,687	591,424
Additions	–	1,903	88,207	90,110
Disposals	–	(85)	(9,926)	(10,011)
Amortisation	(9,719)	(15,117)	(102,989)	(127,825)
Closing net book amount	9,718	51,001	482,979	543,698
As at 31 December 2024				
Cost	65,600	170,387	945,927	1,181,914
Accumulated amortisation and impairment	(55,882)	(119,386)	(462,948)	(638,216)
Net book amount	9,718	51,001	482,979	543,698

During the years ended 31 December 2022, 2023 and 2024, no amortisation has been charged to cost of goods sold in the consolidated statements of profit or loss and other comprehensive income.

As at 31 December 2022, 2023 and 2024, the proportion of the Group's intangible assets not yet available for use to total intangible assets were approximately 44.3%, 48.4% and 24.5% respectively.

19. INVESTMENTS IN SUBSIDIARIES

The carrying amount of investments in subsidiaries of the Company is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments at cost	149,701	449,701	748,391

Note:

(a) On 17 April 2023, the Company entered into a joint venture agreement with Jiashan Zhongxin Industrial Development Investment Company Limited* ("Jiashan Zhongxin") (嘉善縣中新產業發展投資有限公司) an independent third party for setting-up CIG ZJ. Pursuant to the agreement, the Company and Jiashan Zhongxin invest RMB300,000,000 and RMB150,000,000 to CIG ZJ respectively. The Group includes a subsidiary, CIG ZJ, with material non-controlling interests ("NCI"), the details and the recognised financial information, before intragroup eliminations, are as follows:

	Period from 17 April 2023 to 31 December 2023	Year ended 31 December 2024
	RMB'000	*RMB'000*
Proportion of ownership interests and voting rights held by the NCI	33.33%	33.33%
Current assets	52,811	234,506
Non-current assets	397,489	529,857
Current liabilities	(460)	(311,073)
Non-current liabilities	–	(2,370)
Net assets	449,840	450,920
Carrying amount of NCI	149,947	150,307
Revenue	119	43,960
Other income	–	15,000
Total expenses	(279)	(57,880)
(Loss)/Profit and total comprehensive (loss)/income for the year	(160)	1,080
(Loss)/Profit attributable to NCI	(53)	360
Net cash flows from operating activities	201	187,548
Net cash flows used in investing activities	(397,548)	(219,219)
Net cash flows from financing activities	450,000	–
Net increase/(decrease) in cash and cash equivalents	52,653	(31,671)

(b) On 13 July 2023, a board resolution has been resolved to inject US$42,000,000 (equivalent to RMB298,272,000) into CIG US. The capital injection was completed during the year ended 31 December 2024.

20. INVENTORIES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,163,158	995,704	1,054,035
Work in progress	391,076	313,073	397,008
Finished goods	207,155	291,369	269,097
Goods in transit	6,254	13,372	9,582
	1,767,643	1,613,518	1,729,722
Less: Provision for inventories	(38,103)	(40,064)	(44,178)
	1,729,540	1,573,454	1,685,544

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,040,571	906,801	1,009,752
Work in progress	365,389	289,892	381,751
Finished goods	121,868	188,888	232,382
Goods in transit	45,039	26,837	10,875
	1,572,867	1,412,418	1,634,760
Less: Provision for inventories	(37,861)	(39,818)	(43,928)
	1,535,006	1,372,600	1,590,832

The following table summarises the changes in the provision of impairment loss of inventories during the Track Record Period:

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	33,175	38,103	40,064
Provision for inventories	18,512	3,741	6,510
Reversal of provision for inventories	–	–	(2,396)
Written off	(13,584)	(1,780)	–
At end of the year	38,103	40,064	44,178

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	32,952	37,861	39,818
Provision for inventories	18,493	3,737	6,506
Reversal of provision for inventories	–	–	(2,396)
Written off	(13,584)	(1,780)	–
At end of the year	37,861	39,818	43,928

21. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,623,429	1,112,223	1,244,428
Less: ECL allowance	(17,551)	(12,687)	(14,314)
	1,605,878	1,099,536	1,230,114
Bills receivable	1,000	16,196	8,060
Less: ECL allowance	–	(155)	(58)
	1,000	16,041	8,002
	1,606,878	1,115,577	1,238,116

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Third parties	531,893	335,524	430,476
– Group entities	1,656,897	1,574,173	1,324,797
	2,188,790	1,909,697	1,755,273
Less: ECL allowance	(5,529)	(3,507)	(4,992)
	2,183,261	1,906,190	1,750,281
Bills receivable	1,000	1,404	8,060
Less: ECL allowance	–	–	(58)
	1,000	1,404	8,002
	2,184,261	1,907,594	1,758,283

Certain bills issued by third parties are further endorsed by the Group and Company with recourse for settlement of payables. The Group and Company continues to recognise their full carrying amount at each reporting date. All bills receivable held by the Group and Company are with a maturity period of less than 1 year.

The directors of the Company consider that the fair values of trade receivables which are expected to be recovered during the Track Record Period are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of the trade and bills receivables based on invoice date, net of ECL allowances, were as follows:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,597,534	1,112,547	1,228,544
1 to 2 years	9,312	3,030	8,876
2 to 3 years	32	–	696
	1,606,878	1,115,577	1,238,116

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	2,165,999	1,741,402	1,713,890
1 to 2 years	7,934	147,659	15,372
2 to 3 years	10,328	7,743	10,225
Over 3 years	–	10,790	18,796
	2,184,261	1,907,594	1,758,283

The movement in the ECL allowance of trade and bills receivables during the Track Record Period were as follows:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	42,904	17,551	12,842
ECL allowance recognised during the year	–	155	1,748
ECL allowance reversed during the year	(25,353)	(4,864)	(218)
Balance at 31 December	17,551	12,842	14,372

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	19,822	5,529	3,507
ECL allowance recognised during the year	–	–	1,543
ECL allowance reversed during the year	(14,293)	(2,022)	–
Balance at 31 December	5,529	3,507	5,050

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Deposits for acquisition of property, plant and equipment, and intangible assets	384	3,035	26,902
Value-added tax ("VAT") recoverable	52,715	39,739	90,145
Japan consumption tax recoverable	10,984	4,813	1,621
Prepayments	33,128	24,943	24,381
Deposits	9,272	13,604	19,381
Others	1,059	719	982
	107,542	86,853	163,412
Less: ECL allowance	(5,871)	(5,882)	(5,703)
	101,671	80,971	157,709
Analysed as			
Current	101,287	77,936	130,807
Non-current	384	3,035	26,902
	101,671	80,971	157,709

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Deposits for acquisition of property, plant and equipment, and intangible assets	384	1,364	14,456
Value-added tax recoverable	29,307	18,065	38,627
Prepayments	26,687	16,743	7,978
Deposits	3,319	3,655	4,722
Others	568	104	104
Amounts due from group entities	35,015	2,833	208,958
	95,280	42,764	274,845
Less: ECL allowance	(2,764)	(2,334)	(2,655)
	92,516	40,430	272,190
Analysed as			
Current	92,132	39,066	257,734
Non-current	384	1,364	14,456
	92,516	40,430	272,190

The directors of the Company consider that the fair values of deposits, prepayment and other receivables which are expected to be recovered during the Track Record Period are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The amounts due from group entities in the statements of financial position of the Company are unsecured, interest-free and repayable on demand.

The movement in the ECL allowance of other receivables during the Track Record Period were as follows:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	8,269	5,871	5,882
ECL allowance recognised during the year	–	11	–
ECL allowance reversed during the year	(2,398)	–	(179)
Balance at 31 December	5,871	5,882	5,703

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	5,083	2,764	2,334
ECL allowance recognised during the year	–	–	321
ECL allowance reversed during the year	(2,319)	(430)	–
Balance at 31 December	2,764	2,334	2,655

23. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks and on hand	354,707	417,977	507,341
Pledged deposits	35,500	20,000	20,000
	390,207	437,977	527,341
Less: Pledged deposits	(35,500)	(20,000)	(20,000)
Cash and cash equivalents	354,707	417,977	507,341

As at 31 December 2022, 2023 and 2024, included in bank balances and cash of the Group of RMB181,306,000, RMB193,287,000 and RMB191,960,000 are bank balances denominated in RMB placed with banks in the PRC respectively.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks and on hand	292,439	290,707	340,366
Pledged deposits	35,500	20,000	20,000
	327,939	310,707	360,366
Less: Pledged deposits	(35,500)	(20,000)	(20,000)
Cash and cash equivalents	292,439	290,707	340,366

As at 31 December 2022, 2023 and 2024, included in bank balances and cash of the Company of RMB180,137,000, RMB139,372,000 and RMB167,004,000 are bank balances denominated in RMB placed with banks in the PRC respectively.

RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group and the Company is permitted to exchange RMB for foreign currencies through banks that are recognised to conduct foreign exchange business.

24. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,564,927	750,096	1,115,412
Bills payable	215,454	114,347	119,542
	1,780,381	864,443	1,234,954

The Group presented bills to relevant creditors for settlement and remained outstanding as at 31 December 2022, 2023 and 2024. It also contains obligations arising from endorsing bills with recourse with an aggregate amount of RMBnil, RMB15,443,000, and RMB2,260,000 as at 31 December 2022, 2023 and 2024. All bills presented by the Group is aged within 1 year and not yet due as at 31 December 2022, 2023 and 2024, respectively.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Third parties	1,349,133	688,437	949,062
– Group entities	186,604	179,529	313,795
	1,535,737	867,966	1,262,857
Bills payable	215,454	99,562	119,542
	1,751,191	967,528	1,382,399

The Company presented bills to relevant creditors for settlement and remained outstanding as at 31 December 2022, 2023 and 2024. It also contains obligations arising from endorsing bills with recourse with an aggregate amount of RMBnil, RMB658,000, and RMB2,260,000 as at 31 December 2022, 2023 and 2024. All bills presented by the Group is aged within 1 year and not yet due as at 31 December 2022, 2023 and 2024, respectively.

Majority amounts are short term and hence the carrying amounts of the Group's trade and bills payables considered to be a reasonable approximation of fair value.

The Group and the Company are granted by its suppliers the credit period from 60 to 90 days. Based on the invoice date, the ageing analysis of the trade and bills payables is as follows:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,776,369	861,516	1,230,901
1 to 2 years	2,456	241	1,353
2 to 3 years	308	1,644	43
Over 3 years	1,248	1,042	2,657
	1,780,381	864,443	1,234,954

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,740,625	890,253	1,216,077
1 to 2 years	8,987	74,225	114,661
2 to 3 years	430	2,076	50,035
Over 3 years	1,149	974	1,626
	1,751,191	967,528	1,382,399

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payables in relation to restricted shares incentive scheme	58,374	57,984	18,228
Payroll payables	71,320	40,713	37,678
Other payables	17,382	9,675	24,187
Other tax payables	17,169	21,054	10,760
Accrued expenses	11,711	6,746	7,483
Sub-contracting fee payables	4,610	1,031	3,517
Construction payable	–	–	44,909
Dividend payable	–	–	1,710
	180,566	137,203	148,472

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payables in relation to restricted shares incentive scheme	58,374	57,984	18,228
Payroll payables	47,548	20,023	20,407
Other payables	17,245	42,568	37,207
Accrued expenses	11,000	5,536	6,455
Sub-contracting fee payables	4,610	1,031	3,270
Other tax payables	2,599	2,137	2,764
Dividend payable	–	–	1,710
Amounts due to group entities	–	13,748	166,451
	141,376	143,027	256,492

The amounts due to group entities in the statements of financial position of the Company are unsecured, interest-free and repayable on demand.

Majority amounts are short term and hence the carrying amounts of the Group's other payables and accruals are considered to be a reasonable approximation of fair value.

26. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Receipt in advances from customers for sales of goods	11,925	45,391	33,363

Contract liabilities comprise advanced payments received from customers as well as the Group's right to receive consideration in advance pursuant to the terms of the relevant contracts.

The increase in contract liabilities as at 31 December 2023 is mainly due to increase in deposits received as a result of more sales orders received before 31 December 2023. The decrease in contract liabilities as at 31 December 2024 is mainly due to the decrease in the deposits received as a result of fewer sales orders received from customers before 31 December 2024.

All contract liabilities included in the carrying amount as at 31 December 2022, 2023 and 2024, were transferred to operating revenue in following year.

27. BANK BORROWINGS

The Group and the Company

At 31 December 2022, 2023 and 2024, the Group's and the Company's bank borrowings were repayable as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount repayable			
Within one year	913,014	1,111,827	991,700
In the second year	–	–	91,900
Total carrying amount	913,014	1,111,827	1,083,600
Amount due within one year	(913,014)	(1,111,827)	(991,700)
Carrying amount shown under non-current liabilities	–	–	91,900

All bank borrowings are unsecured and unguaranteed. Bank borrowing include accrued interest amounting to RMB1,215,000, RMB2,288,000 and RMB2,037,000 as at 31 December 2022, 2023 and 2024 respectively.

Except for the loans of RMB314,299,000 are denominated in US$ as at 31 December 2022, all loans are denominated in RMB as at 31 December 2022, 2023 and 2024.

As at 31 December 2022, 2023 and 2024, the loans are interest bearing at rates ranging from 3.2% to 5.41%, 2.9% to 4.35% and 2.5% to 3.65% per annum respectively.

28. OTHER BORROWINGS

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current	175,090	41,609	–
Non-current	93,881	–	–
	268,971	41,609	–

At 31 December 2022, 2023 and 2024, the Group's and the Company's other borrowings were repayable as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount repayable			
Within one year	175,090	41,609	–
In the second year	75,631	–	–
In the third year	18,250	–	–
Total carrying amount	268,971	41,609	–
Amount due within one year	(175,090)	(41,609)	–
Carrying amount shown under non-current liabilities	93,881	–	–

The Company entered into financing arrangements with financial institutions with lease terms ranging from 2 to 3 years, with legal title of the respective equipment transferred to the financial institutions. The Company continued to operate and manage the relevant machinery and equipment during the lease term without any involvement from the financial institutions, and the Company is entitled to purchase back the equipment at a minimal consideration upon maturity of respective leases, or to purchase back the equipment from this financial institution at fair value upon the end of the lease period.

The Company applies the requirements of IFRS 15 to assess whether sale and leaseback transactions constitute a sale. To better manage the Company's capital structure and financing needs, the Company sometimes enters into sale and leaseback arrangements in relation to machinery and equipment leases. These legal transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of machinery and equipment. Despite the arrangement involves a legal form of a lease while it does not constitute a sale and leaseback transaction, the Company accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method in accordance with the substance of the arrangement. During the years ended 31 December 2022, 2023 and 2024, the Company has raised RMB265,550,000, RMBnil and RMBnil of borrowings in respect of such arrangements.

29. DEFERRED INCOME

Deferred income mainly represents the government subsidies received from Shanghai Municipal Commission of Economy and Information in relation to the acquisition and/or construction of certain property, plant and equipment. These subsidies were amortised over 1 to 10 years in accordance with the depreciable life of the assets. Movements in deferred income during the Track Record Period were as follows:

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	35,637	30,281	29,622
Additions	7,940	1,476	22,659
Charged to profit or loss	(13,296)	(2,135)	(9,768)
At 31 December	30,281	29,622	42,513

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	35,637	30,281	29,622
Additions	7,940	1,476	20,289
Charged to profit or loss	(13,296)	(2,135)	(9,768)
Balance at 31 December	30,281	29,622	40,143

30. LEASE LIABILITIES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Total minimum lease payments			
Within one year	47,820	45,715	26,688
After one but within second year	37,844	23,770	27,005
After second but within fifth year	–	73,728	77,595
After the fifth year	–	72,800	50,363
	85,664	216,013	181,651
Future finance charges on leases liabilities	(3,738)	(32,456)	(25,579)
Present value of leases liabilities	81,926	183,557	156,072
Present value of minimum lease payments			
Within one year	44,927	37,670	20,134
After one but within second year	36,999	17,569	21,347
After second but within fifth year	–	60,189	66,351
After the fifth year	–	68,129	48,240
	81,926	183,557	156,072
Less: Portion due within one year included under current liabilities	(44,927)	(37,670)	(20,134)
Portion due after one year included under non-current liabilities	36,999	145,887	135,938

During the years ended 31 December 2022, 2023 and 2024 the total cash outflows for the leases amounted to RMB57,716,000, RMB61,230,000 and RMB49,666,000 respectively.

As at 31 December 2022, 2023 and 2024 the Group has entered into leases agreements for use of premises with terms ranging from 2 to 10 years, 1.16 to 10 years and 1 to 10 years respectively. These leases do not contain option to renew the lease and are subjected to monthly fixed rental payment.

As at 31 December 2022, 2023, 2024, the Group had 9, 5, 6 leases under IFRS 16 for premises and building with remaining lease term of 0.2 to 8.8 years, 0.3 to 7.8 years, 0.2 to 6.8 years. These leases do not contain option to renew the lease and are subjected to monthly fixed rental payment.

31. DEFERRED TAX

The movements in the deferred tax assets during the Track Record Period and its components as at 31 December 2022, 2023 and 2024 were as follows:

The Group

	Deferred income	Expected credit losses	Provision for inventories	Tax losses	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	5,346	3,736	4,946	7,558	8,921	30,507
Recognised in profit or loss *(note 9)*	(804)	(2,470)	736	5,842	(3,595)	(291)
At 31 December 2022 and 1 January 2023	4,542	1,266	5,682	13,400	5,326	30,216
Recognised in profit or loss *(note 9)*	(99)	(340)	294	3,544	(2,478)	921
At 31 December 2023 and 1 January 2024	4,443	926	5,976	16,944	2,848	31,137
Recognised in profit or loss *(note 9)*	1,578	312	617	1,652	(2,848)	1,311
At 31 December 2024	6,021	1,238	6,593	18,596	–	32,448

The movements in the deferred tax liabilities during the Track Record Period and its components as at 31 December 2022, 2023 and 2024 were as follows:

The Group

	Right-of-use assets	Accelerated depreciation allowance	Intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	8,730	21,402	11,294	41,426
Recognised in profit or loss *(note 9)*	(3,233)	(345)	(2,824)	(6,402)
At 31 December 2022 and 1 January 2023	5,497	21,057	8,470	35,024
Recognised in profit or loss *(note 9)*	(2,825)	4,929	(2,823)	(719)
At 31 December 2023 and 1 January 2024	2,672	25,986	5,647	34,305
Recognised in profit or loss *(note 9)*	(2,608)	(404)	(2,823)	(5,835)
At 31 December 2024	64	25,582	2,824	28,470

As at 31 December 2022, 2023 and 2024, the Group did not recognised deferred tax assets arising from tax losses of RMB3,238,000, RMB11,752,000 and RMB12,668,000 respectively. Under the current tax legislation, all tax losses can be carried forward for five years from the year when the loss is incurred.

32. SHARE CAPITAL

	Number of shares	RMB'000
Issued and fully paid:		
At 1 January 2022	252,220,566	252,221
Issuance of shares for restricted shares incentive scheme *(note 34(a))*	9,352,260	9,352
At 31 December 2022 and 1 January 2023	261,572,826	261,573
Issuance of shares for restricted shares incentive scheme *(note 34(b))*	6,650,115	6,650
Repurchase and cancellation of shares under restricted share incentive scheme *(note 34(a))*	(118,000)	(118)
At 31 December 2023 and 1 January 2024	268,104,941	268,105
Repurchase and cancellation of shares under restricted share incentive scheme *(note 34(a))*	(63,100)	(63)
At 31 December 2024	268,041,841	268,042

33. RESERVES

The Company

The movement of the Company's reserves during the Track Record Period are as follows:

	Capital reserve	Shares held for restricted shares incentive scheme	Statutory reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	1,263,282	–	59,257	393,639	1,716,178
Transactions with owners:					
Issuance of shares in respect of restricted shares incentive scheme	49,648	(59,000)	–	–	(9,352)
Vesting of awarded shares under restricted shares incentive scheme *(note 34(a))*	15,620	–	–	–	15,620
Share-based payment expense in respect of share options *(note 34(b))*	4,976	–	–	–	4,976
Appropriation to statutory reserves	–	–	3,785	(3,785)	–
	70,244	(59,000)	3,785	(3,785)	11,244
Profit and total comprehensive income for the year	–	–	–	37,852	37,852
At 31 December 2022 and 1 January 2023	1,333,526	(59,000)	63,042	427,706	1,765,274
Transactions with owners:					
Exercise of share option	79,205	–	–	–	79,205
Repurchase of awarded shares under restricted shares incentive scheme	(651)	769	–	–	118
Vesting of awarded shares under restricted shares incentive scheme *(note 34(a))*	34,037	–	–	–	34,037
Share-based payment expense in respect of share options *(note 34(b))*	990	–	–	–	990
Appropriation to statutory reserves	–	–	8,339	(8,339)	–
	113,581	769	8,339	(8,339)	114,350
Profit and total comprehensive income for the year	–	–	–	83,386	83,386
At 31 December 2023 and 1 January 2024	1,447,107	(58,231)	71,381	502,753	1,963,010
Transactions with owners:					
Repurchase of awarded shares under restricted shares incentive scheme *(note 34(a))*	(327)	390	–	–	63
Vesting of awarded shares under restricted shares incentive scheme *(note 34(a))*	9,610	–	–	–	9,610

	Capital reserve	Shares held for restricted shares incentive scheme	Statutory reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Share-based payment expense in respect of share options *(note 34(b))*	2,424	–	–	–	2,424
Release of awarded shares under restricted shares incentive scheme	–	39,490	–	–	39,490
Appropriation to statutory reserves	–	–	17,063	(17,063)	–
Dividend declared	–	–	–	(43,691)	(43,691)
	11,707	39,880	17,063	(60,754)	7,896
Total comprehensive income for the year	–	–	–	170,630	170,630
At 31 December 2024	1,458,814	(18,351)	88,444	612,629	2,141,536

The Group

During the Track Record Period, the amounts of the Group's reserves and the changes therein are presented in the consolidated statements of changes in equity.

Capital reserve

Capital reserve mainly represents the excess of the net proceeds from issuance of shares of the Company over its par value.

Capital reserve also includes (i) the difference between the consideration to acquire additional interest in subsidiaries and the respective share of the carrying amounts of net assets acquired and (ii) the reserve for difference between the market price value at the grant date and grant price value of the restricted shares and (iii) the fair value of share options granted to directors and employees and is dealt with in accordance with the accounting policy set out in note 2.21.

Shares held for restricted shares incentive scheme

Shares held for restricted shares incentive scheme are determined using the grant price value of restricted shares that have been granted, which are held by the Group's trustee.

Statutory reserves

Statutory reserves represent the amounts set aside from the retained earnings by certain subsidiaries incorporated in the PRC. In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in the PRC are required to allocate at least 10% of their after-tax profit according to the PRC accounting standards and regulations to legal reserves until such reserves have reached 50% of registered capital. These reserves can only be used for specific purposes and are not distributable or transferable to loans, advances and cash dividends.

Translation reserve

Translation reserve comprise all foreign exchange differences arising from translating the financial statements of foreign operations. The reserve is treated in accordance with the accounting policy in note 2.4.

34. SHARE-BASED PAYMENT

(a) Restricted shares incentive scheme

Pursuant to the restricted shares incentive scheme in 2021 (the "Restricted Share Incentive Scheme 2021") and 2022 (the "Restricted Share Incentive Scheme 2022"), 3,361,000 and 5,991,260 restricted shares were granted to the selected participants in 2021 and 2022 respectively. The respective grant dates of Restricted Shares Incentive Scheme 2021 and 2022 are 5 January 2022 and 1 December 2022 respectively.

The selected participants are entitled to the related distribution derived from the relevant restricted shares during the period from the date of the issue of the restricted shares to the vesting date (both dates inclusive) of such restricted shares, which shall however only be vested by the selected participants on the vesting date subject to fulfilment of vesting conditions of the restricted shares.

The selected participants include certain directors of the Company, certain members of senior management and employees of the Group who subscribed for the restricted shares at RMB6.52 per share under the terms of the Restricted Share Incentive Scheme 2021 and RMB6.19 per share under the terms of the Restricted Share Incentive Scheme 2022.

Under the terms of the restricted shares incentive schemes, if the vesting conditions: (a) performance target of the Company and (b) individual performance evaluation requirement on selected participants are fulfilled, the restricted shares shall be vested by 50% and 50% on each of the vesting period, respectively. During the years ended 31 December 2022, 2023 and 2024, nil, 118,000 and 63,100 unvested restricted shares were forfeited respectively as certain vesting conditions were not fulfilled.

For the selected participants who do not meet the vesting conditions, the unvested restricted shares remaining at the end of the Restricted Share Incentive Scheme 2021 and Restricted Share Incentive Scheme 2022 are to be forfeited.

	2022	2023	2024
		Number of restricted shares	
Restricted Share Incentive Scheme 2021			
As at 1 January	–	3,361,000	1,610,500
Granted during the year	3,361,000	–	–
Forfeited during the year	–	(118,000)	–
Vested during the year	–	(1,632,500)	(1,610,500)
As at 31 December	3,361,000	1,610,500	–

	2022	2023	2024
		Number of restricted shares	
Restricted Share Incentive Scheme 2022			
As at 1 January	–	5,991,260	5,991,260
Granted during the year	5,991,260	–	–
Forfeited during the year	–	–	(63,100)
Vested during the year	–	–	(2,963,528)
As at 31 December	5,991,260	5,991,260	2,964,632

The fair value of the restricted shares issued was assessed based on the market price of the Company's shares at the respective grant date. The weighted average fair value of restricted shares granted during the year ended 31 December 2022 under Restricted Share Incentive Scheme 2021 and Restricted Share Incentive Scheme 2022 were approximately RMB6.76 and RMB6.10 per share respectively.

During the years ended 31 December 2022, 2023 and 2024, the Group's trustee transferred nil, 1,632,500 and 4,574,028 ordinary shares of the Company to the share awardees upon vesting of the awarded shares.

The Group recognised the expense of RMB15,620,000, RMB34,037,000 and RMB9,610,000 for the years ended 31 December 2022, 2023 and 2024 in relation to the restricted share incentive schemes respectively.

(b) Share options

The Company has share option schemes which were adopted in February 2021 (the "Share Option Scheme 2021") and August 2024 (the "Share Option Scheme 2024") respectively. Pursuant to Share Option Scheme 2021 and Share Option Scheme 2024, the directors of the Company are recognised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

On 4 March 2021 and 26 August 2024, the Company granted 15,620,000 and 15,593,000 share options to the employees and directors under the Share Option Scheme 2021 and Share Option Scheme 2024 respectively. Each share option entitles the holder to subscribe for one share of the Company at an exercise price of RMB12.91 and RMB29.48 under the Share Option Scheme 2021 and Share Option Scheme 2024 respectively. The contractual life of these share options is the period from the date on which an option certificate is issued after acceptance by the grantees and expiring on 3 March 2024 and 25 August 2027 respectively.

50% and 50% of the options vest at first and second anniversary date of grant date and then exercisable within a period of twelve months. Options granted may have certain performance requirements in addition to services. If the performance conditions are not satisfied, the options are forfeited. Each option gives the holder the right to subscribe for one ordinary share in the Company.

All share options will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The terms and conditions of the grants are as follows:

	Number of options	Vesting period	Contractual life of options
Share Option Scheme 2021			
Options granted to directors			
4 March 2021	50,000	1 year from the date of grant	2 years
	50,000	2 years from the date of grant	3 years
Options granted to senior management			
4 March 2021	35,000	1 year from the date of grant	2 years
	35,000	2 years from the date of grant	3 years
Options granted to employee			
4 March 2021	7,725,000	1 year from the date of grant	2 years
	7,725,000	2 years from the date of grant	3 years
Share Option Scheme 2024			
Options granted to directors			
26 August 2024	75,000	1 year from the date of grant	2 years
	75,000	2 years from the date of grant	3 years
Options granted to senior management			
26 August 2024	37,500	1 year from the date of grant	2 years
	37,500	2 years from the date of grant	3 years

	Number of options	Vesting period	Contractual life of options
Options granted to employee 26 August 2024	7,684,000	1 year from the date of grant	2 years
	7,684,000	2 years from the date of grant	3 years

Share options and weighted average exercise price are as follows for Track Record Period presented:

	2022		2023		2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
		RMB		*RMB*		*RMB*
Outstanding at 1 January	15,620,000	12.91	15,620,000	12.91	–	–
Granted	–	–	–	–	15,593,000	29.48
Cancelled	–	–	(8,969,885)	12.91	–	–
Exercised	–	–	(6,650,115)	12.91	–	–
Outstanding at 31 December	15,620,000	12.91	–	–	15,593,000	29.48
Exercisable at 31 December	–	–	–	–	–	–

The options outstanding at 31 December 2022 and 2024 had a weighted average remaining contractual life of 1.17 years and 2.66 years respectively.

The fair values of options granted were determined using the Black-Scholes Option Pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

Share Option Scheme 2021

Share price	RMB11.79
Expected volatility	18.63%-18.95%
Expected option life	1-2 years
Dividend yield	0%
Risk-free interest rate	1.50%-2.10%
Fair value at grant date	RMB0.52-1.01
Exercise price	RMB12.91

Share Option Scheme 2024

Share price	RMB26.07
Expected volatility	12.88%-12.92%
Expected option life	1-2 years
Dividend yield	0%
Risk-free interest rate	1.50%-2.10%
Fair value at grant date	RMB0.4-1.07
Exercise price	RMB29.48

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes Option Pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, RMB4,976,000, RMB990,000 and RMB2,424,000 of employee compensation expense has been recognised in profit or loss for the years ended 31 December 2022, 2023 and 2024, respectively. The corresponding amount of which has been credited to "capital reserve". No liability was recognised due to share options.

35. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties:

Compensation of key management personnel

Key management of the Group are the executive directors. The emoluments of directors were determined by the Remuneration Committee having regard to the performance of individual and market trends. The remuneration of key management personnel during the Track Record Period were as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	6,503	6,624	6,541
Share based payment expenses	319	504	116
Contribution to retirement benefit schemes	120	140	192
Other employee benefit	127	146	189
	7,069	7,414	7,038

36. COMMITMENTS

36.1 Capital Commitments

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for:			
– Acquisition of property, plant and equipment	19,807	234,927	143,979

36.2 Lease Commitments

As a lessee

As at 31 December 2022, 2023 and 2024, the lease commitments for non-cancellable short-term leases are as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	540	540	21,979

As lessor

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	992	924	1,031

37. RECONCILIATIONS OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below set out the reconciliation of liabilities arising from financing activities.

	Bank borrowings	Other borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	733,676	174,733	117,691	1,026,100
Cash flows				
– Repayment	(1,253,841)	(184,559)	–	(1,438,400)
– Proceeds	1,432,719	265,550	–	1,698,269
– Interest paid	(34,390)	–	–	(34,390)
– Capital element of lease paid	–	–	(47,166)	(47,166)
– Interest element of lease paid	–	–	(5,541)	(5,541)
Non-cash transactions				
– New leases	–	–	11,401	11,401
– Finance costs	39,115	13,247	5,541	57,903
– Exchange difference	(4,265)	–	–	(4,265)
At 31 December 2022 and 1 January 2023	913,014	268,971	81,926	1,263,911
Cash flows				
– Repayment	(1,530,185)	(249,303)	–	(1,779,488)
– Proceeds	1,727,924	–	–	1,727,924
– Interest paid	(33,849)	–	–	(33,849)
– Capital element of lease paid	–	–	(53,100)	(53,100)
– Interest element of lease paid	–	–	(4,259)	(4,259)
Non-cash transactions				
– New leases	–	–	154,731	154,731
– Finance costs	34,923	21,941	4,259	61,123
At 31 December 2023 and 1 January 2024	1,111,827	41,609	183,557	1,336,993
Cash flows				
– Repayment	(1,668,561)	(43,107)	–	(1,711,668)
– Proceeds	1,640,585	–	–	1,640,585
– Interest paid	(43,891)	–	–	(43,891)
– Capital element of lease paid	–	–	(36,026)	(36,026)
– Interest element of lease paid	–	–	(7,752)	(7,752)
Non-cash transactions				
– New leases	–	–	8,541	8,541
– Finance costs	43,640	1,498	7,752	52,890
At 31 December 2024	1,083,600	–	156,072	1,239,672

38. BUSINESS COMBINATIONS

(a) Acquisition of AEI

On 20 December 2021, the Group had entered into a sales and purchase agreement to acquire 100% equity interest of AEI, a Delaware corporation whose was mainly engaged in trading and research and development activities. The consideration for the acquisition was US$7,300,000 (equivalents to approximately RMB46,535,000) and the acquisition was completed on 31 January 2022. The acquisition was made with the aims to enhance business scale of the Group and expand market scope of the Group.

(b) Acquisition of Actiontec Shanghai

On 20 December 2021, the Group had entered into share transfer agreement to acquire 100% equity interest of Actiontec Shanghai, a company incorporated in the PRC whose was mainly engaged in research and development activities. The cash consideration for the acquisition was approximately RMB1,970,000 and the acquisition was completed on 31 January 2022. The acquisition was made with the aims to enhance business scale of the Group and expand market scope of the Group.

Details of the aggregate fair values of the identifiable assets and liabilities of the acquirees as at the date of acquisition are as follows:

	AEI	Actiontec Shanghai	Total
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment *(note 14)*	25	141	166
Intangible assets *(note 18)*	303	–	303
Inventories	27,881	–	27,881
Trade receivables	28,124	1,622	29,746
Prepayments	3,094	–	3,094
Cash and cash equivalents	4,994	642	5,636
Trade payables	(106,486)	–	(106,486)
Contract liabilities	(1,906)	–	(1,906)
Other payables and accruals	(8,463)	(435)	(8,898)
Net (liabilities)/assets acquired	(52,434)	1,970	(50,464)
Less: cash considerations	(46,535)	(1,970)	(48,505)
Goodwill *(note 17)*	(98,969)	–	(98,969)
Deposits paid in December 2021	21,359	–	21,359
Consideration paid during the year ended 31 December 2022	25,176	1,970	27,146
Total cash consideration	46,535	1,970	48,505
Less: Cash and cash equivalents acquired	(4,994)	(642)	(5,636)
Cash outflows arising on acquisition through business combinations	41,541	1,328	42,869

Since the acquisition date, AEI and Actiontec Shanghai had contributed US$57,161,000 (equivalents to approximately RMB381,274,000) and RMB10,635,000 to revenue and US$1,852,000 (equivalents to approximately RMB12,324,000) and loss of RMB2,477,000 to profit for the year ended 31 December 2022 respectively.

Goodwill arose from the acquisition of AEI because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits were not recognised separately from goodwill, because they did not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisitions were not expected to be deductible for tax purpose.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

39.1 Categories of financial assets and liabilities

The Group

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost			
Trade and bills receivables	1,606,878	1,115,577	1,238,116
Deposits and other receivables	4,460	8,441	14,660
Pledged deposits	35,500	20,000	20,000
Cash and cash equivalents	354,707	417,977	507,341
	2,001,545	1,561,995	1,780,117
Financial assets at FVTPL			
Other financial assets	4,560	14,560	14,560

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost			
Trade and bills payables	1,780,381	864,443	1,234,954
Other payables and accruals	180,566	137,203	148,472
Lease liabilities	81,926	183,557	156,072
Bank borrowings	913,014	1,111,827	1,083,600
Other borrowings	268,971	41,609	–
	3,224,858	2,338,639	2,623,098

39.2 Foreign currency risk

The Group's subsidiaries mainly operate in the PRC, the USA and Japan and majority of the transactions are settled in RMB, USD and JPY, being the functional currency of the Group entities to which the transactions relate. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	Exposure to foreign currencies as at 31 December 2022			
	USD	JPY	Other currencies	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets	1,722,078	3,007	6,015	1,731,100
Liabilities	(510,265)	(11,672)	–	(521,937)
Net exposure	1,211,813	(8,665)	6,015	1,209,163

	Exposure to foreign currencies as at 31 December 2023			
	USD	JPY	Other currencies	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets	1,211,165	6,749	8,836	1,226,750
Liabilities	(289,431)	(7,127)	(7)	(296,565)
Net exposure	921,734	(378)	8,829	930,185

	Exposure to foreign currencies as at 31 December 2024			
	USD	JPY	Other currencies	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets	1,497,795	11,333	3,951	1,513,079
Liabilities	(471,109)	(3,491)	(125)	(474,725)
Net exposure	1,026,686	7,842	3,826	1,038,354

As at 31 December 2022, 2023 and 2024, if RMB appreciates or depreciates by 5% against the USD, the net profit of the Group will increase or decrease by RMB60,591,000, RMB46,087,000 and RMB51,334,000. Management believes that 5% is a reasonable range of possible changes in the RMB against the USD.

Other change in foreign exchange rates have no significant impact on foreign currency risk.

39.3 Interest rate risk

Other than the interest-bearing bank deposits, the Group has no other significant interest-bearing assets bearing variable rates. It is not anticipated there is any significant impact to these interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's bank borrowings bears floating rates expose the Group to cash flow interest rate risk. The Group has not hedged against such a risk as it does not see the benefit in so doing.

Based on the balance of its interest-bearing borrowings as at 31 December 2022, 2023 and 2024, it is estimated that should there be a general increase/decrease of 100 basis point change in interest rates would have affected the Group's results of operations profits for the year ended 31 December 2022, 2023 and 2024 by approximately RMB561,000, RMB582,000 and RMB1,784,000, respectively.

39.4 Price risk

The Group is not exposed to significant price risk as there has been no involvement with equity investment on an active market.

39.5 Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's maximum exposure to credit risk for the components of the consolidated statements of financial position at 31 December 2022, 2023 and 2024 is the carrying amount as disclosed in note 39.1.

Trade receivables from third parties

The Group's policy is to deal with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Shorter or no credit terms are granted to the customers who are not considered creditworthy are required to pay on delivery of goods and services. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

As at 31 December 2022, 2023 and 2024, in terms of gross carrying amounts, 39.1% and 28.2% and 42.6% of the total trade receivables was due from the Group's largest customer, and 62.7%, 69.3% and 68.8% of the total trade receivables were due from the Group's top five customers.

The Group applied the simplified approach to provide for impairment for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables.

For trade receivables, the Group assesses ECL under IFRS 9 based on shared credit risk characteristics and aging as well as the corresponding historical credit losses during that period. As at 31 December 2022, 2023 and 2024, loss rate of 1.02%, 10%, 50% and 100% were adopted by the Group for the trade receivables aged within 1 year, 1 to 2 years, 2 to 3 years and over 3 years, respectively.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, other receivables, pledged deposits and cash at bank.

In order to minimise the credit risk of deposits and other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information, and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group applies the IFRS 9 three-stage approach to measure ECL for deposits and other receivables.

As at 31 December 2022, 2023 and 2024, since the credit risk of deposits and other receivables of approximately RMB4,135,000, RMB4,900,000 and RMB9,491,000 is considered not significantly increased since initial recognition, therefore the impairment provision is determined as 12-month ECL, and ECL rates of 5%, 5%, 5%, were provided.

As at 31 December 2022, 2023 and 2024, the Group determines that the credit risk of deposits and other receivables of approximately RMB592,000, RMB4,271,000 and RMB8,123,000 is considered significantly increased since initial recognition, therefore the impairment provision is determined as lifetime ECL (non-credited impaired), and ECL rates of 10.49%, 11.35% and 30.52%, were provided, while RMB5,604,000, RMB5,152,000 and RMB2,749,000 is determined as lifetime ECL (credited impaired) respectively, therefore, full provision was provided as at 31 December 2022, 2023 and 2024.

To manage this risk arising from pledged deposits and cash at banks, the Group mainly transacts with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

39.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

The Group

	Within 1 year or on demand	After 1 but within 2 years	After 2 but within 5 years	After 5 years	Total undiscounted cash flow	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022						
Non-derivative financial liabilities						
Trade and bills payables	1,780,381	–	–	–	1,780,381	1,780,381
Other payables and accruals	180,566	–	–	–	180,566	180,566
Lease liabilities	47,820	37,844	–	–	85,664	81,926
Bank borrowings	927,260	–	–	–	927,260	913,014
Other borrowings	196,241	96,055	18,593	–	310,889	268,971
	3,132,268	133,899	18,593	–	3,284,760	3,224,858

	Within 1 year or on demand	After 1 but within 2 years	After 2 but within 5 years	After 5 years	Total undiscounted cash flow	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023						
Non-derivative financial liabilities						
Trade and bills payables	864,443	–	–	–	864,443	864,443
Other payables and accruals	137,203	–	–	–	137,203	137,203
Lease liabilities	45,715	23,770	73,728	72,800	216,013	183,557
Bank borrowings	1,134,174	–	–	–	1,134,174	1,111,827
Other borrowings	43,107	–	–	–	43,107	41,609
	2,224,642	23,770	73,728	72,800	2,394,940	2,338,639

	Within 1 year or on demand	After 1 but within 2 years	After 2 but within 5 years	After 5 years	Total undiscounted cash flow	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024						
Non-derivative financial liabilities						
Trade and bills payables	1,234,954	–	–	–	1,234,954	1,234,954
Other payables and accruals	148,472	–	–	–	148,472	148,472
Lease liabilities	26,688	27,005	77,595	50,363	181,651	156,072
Bank borrowings	1,008,231	92,678	–	–	1,100,909	1,083,600
	2,418,345	119,683	77,595	50,363	2,665,986	2,623,098

39.7 Fair value measurements

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statements of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL				
– Unlisted equity investments	–	–	4,560	4,560

	As at 31 December 2023			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL				
– Unlisted equity investments	–	–	14,560	14,560

	As at 31 December 2024			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL				
– Unlisted equity investments	–	–	14,560	14,560

The valuation technique for fair value of unlisted equity investments is based on recent transaction price.

40. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

In order to maintain a desirable ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group monitors its capital structure on the basis of the debt to asset ratio (i.e. total liabilities divided by total assets). As at 31 December 2022, 2023 and 2024, the Group's debt to asset ratio is 63.2%, 51.7%, and 52.6% respectively.

41. CONTINGENT LIABILITIES

As of 31 December 2022, 2023 and 2024, the Group did not have any material contingent liabilities.

42. EVENTS AFTER THE REPORTING DATE

The Group has evaluated the events after the reporting date through the date of these Historical Financial Information. The Group is not aware of any significant events after the reporting date that would require recognition or disclosure in the Historical Financial Information.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the Companies now comprising the Group in respect of any period subsequent to 31 December 2024 and up to the date of this report.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this Document, which is subject to change or adjustment and may have a retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation, and profit tax, stamp duty, and estate duty were referred to the discussion. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong, and other tax consequences of owning and disposing of H Shares.

THE PRC TAXATION

Taxation on Dividends

Individual Investors

Pursuant to the IIT Law and *the Implementation Regulations for the IIT Law*, which was most recently amended on December 18, 2018, and effective on January 1, 2019, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. At the same time, according to the *Notice on Issues Relating to Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies* (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the MOF, the SAT and the CSRC on September 7, 2015, and effective on September 8, 2015, where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for more than one year, the income from dividends is exempt from individual income tax; where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for one month or less, the full amount of such income from dividends shall be included in taxable income; if the individual holds the stocks for one month to one year, 50% of such income from dividends shall be included in taxable income; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaties.

The PRC and the government of Hong Kong entered into the *Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on August 21, 2006. Pursuant to the Arrangement, the PRC Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including resident individuals and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by the PRC-resident enterprise. The *Fifth Protocol of the Arrangement between Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) (the "**Fifth Protocol**"), which became effective on December 6, 2019, adds a criterion for the qualification of entitlement to enjoy treaty benefits.

Enterprise Investors

In accordance with the EIT Law, which was promulgated by the SCNPC on March 16, 2007, and was most recently amended with immediate effect on December 29, 2018, and the *Implementation Rules of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) most recently amended on December 6, 2024, the rate of Enterprise Income Tax (the "**EIT**") shall be 25%. A non-resident enterprise is generally subject to a 10% EIT on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable by non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. The *Circular on Issues Relating to the Withholding and Remittance of EIT by PRC Resident Enterprises on Dividends Distributed to Overseas Non-resident Enterprise Shareholders of H Shares* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold EIT at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the *Response to Questions on Levying EIT on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares* (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the SAT and effective on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit EIT at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement, the PRC Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including resident individuals and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by the PRC-resident enterprise. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the *Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements* (《關於執行稅收協定股息條款有關問題的通知》) issued with immediate effect on February 20, 2009.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions, including but not limited to Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investors

According to IIT Law and Implementation Regulations for the IIT Law, the gains realized from the disposal of equity interests in PRC resident enterprises are subject to an individual income tax rate of 20%. Pursuant to *Circular on Continuing to Temporarily Exempt Individual Income Tax on Income from the Transfer of Shares by Individuals* (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, the income of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax since January 1, 1997. On December 31, 2009, the MOF, the SAT and the CSRC jointly issued the *Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed*

Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which states that, since January 1, 2010, income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax. On December 27, 2024, the MOF, the SAT and the CSRC jointly issued the *Announcement on the Further Improvement of the Administration of Individual Income Tax on the Transfer of Restricted Shares of Listed Companies by Individuals* (《關於進一步完善個人轉讓上市公司限售股所得個人所得稅有關徵管服務事項的公告》), which was effective on the date of issuance, and any inconsistency with this announcement shall be in accordance with this announcement.

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed overseas. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and the Implementation Rules of the Enterprise Income Tax Law of the PRC, a non-resident enterprise is generally subject to EIT at the rate of 10% on PRC-sourced income, including gains derived from disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on the avoidance of double taxation.

Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect

Taxation Policy

On October 31, 2014 and November 5, 2016, the MOF, SAT and CSRC jointly issued the *Circular on the Relevant Taxation Policies regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market* (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the *Circular on the Relevant Taxation Policies regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market* (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong

Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to EIT in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from EIT according to law. H-share companies do not withhold tax on dividends and bonus income of PRC enterprise investors, and the tax payable shall be declared and paid by enterprises.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited (the "**CSDC**"), which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in accordance with the above provisions.

On August 21, 2023, the MOF, the SAT and the CSRC jointly issued the *Announcement on the Continuation of Implementation of Individual Income Tax Policies Relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mutual Recognition of Funds between Mainland China and Hong Kong* (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》), which stipulates that for PRC individual investors, the transfer difference income derived from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the trading of Hong Kong fund units through mutual recognition of funds will continue to be exempt from individual income tax on a temporary basis until December 31, 2027.

Stamp Duty

Pursuant to the *Stamp Duty Law of the PRC* (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on June 10, 2021 and effective on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC.

Estate Duty

As of the Latest Practicable Date, no estate duty has been levied in the PRC under the PRC laws.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law, enterprises and other income-generating organizations (hereinafter collectively referred to as "enterprises") within the territory of the PRC are the taxpayers of EIT and shall pay EIT in accordance with the provisions of the EIT Law. The EIT rate is 25%.

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

A resident enterprise shall mean an enterprise lawfully incorporated in the PRC or an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) but where actual management functions are conducted in the PRC. A non-resident enterprise shall mean an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) that has an office or premises established in the PRC with no actual management functions performed in the PRC, or an enterprise that has income derived from or accruing in the PRC although it does not have an office or premises in the PRC.

The EIT shall be payable by a resident enterprise for income derived from or accruing in or outside the PRC. The EIT shall be payable by a non-resident enterprise, for income derived from or accruing in the PRC by its office or premises established in the PRC, and for income derived from or accruing outside the PRC for which the established office or premises has a de facto relationship. Where the non-resident enterprise has no office or premises established in the PRC or the income derived or accrued has no de facto relationship with the office or premises established, the EIT shall be payable by the non-resident enterprise for income derived from or accruing in the PRC.

Value-added Tax

According to the VAT Regulations, which was recently amended with immediate effect on November 19, 2017, and the *Implementing Rules for the Provisional Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例實施細則》), which was recently amended on October 28, 2011 and effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods they sells and different services it provides, except when specified otherwise. On December 25, 2024, the SCNPC promulgated the *Value-Added Tax Law of the People's Republic of China* (《中華人民共和國增值稅法》), which will become effective on January 1, 2026 and the above interim regulations will be abolished.

According to the Notice of the MOF and the SAT on the Relevant Policies on the Streamlining and Combination of Value-added Tax Rates (《財政部、國家稅務總局關於簡併增值稅稅率有關政策的通知》), the Notice of the MOF and the SAT on the Adjusting Value added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) and the Announcement of the MOF, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), the VAT tax rates currently implemented is 13%, 9%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The *Regulations on Foreign Exchange Control of the PRC* (《中華人民共和國外匯管理條例》), which was promulgated on January 29, 1996 and was recently amended with immediate effect on August 5, 2008, classifies all international payments and transfers into current account items and capital account items. Current account items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in the conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital account items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditures occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

According to the *Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism* (《關於完善人民幣匯率形成機制改革的公告》), which was promulgated by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the RMB exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the RMB against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against RMB transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the *Decision of the State Council on Matters including Canceling and Adjusting a Batch of Administrative Approval Items* (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, the approval requirement by the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts is cancelled.

Pursuant to the *Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing* (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) which was issued by the SAFE and became effective on December 26, 2014, a domestic company shall, within 15 business days from the date of the completion of its overseas listing issuance, register the overseas listing with the local branch office of SAFE at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the *Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued on February 13, 2015 and was recently amended with immediate effect on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the *Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which was issued on June 9, 2016 and was recently amended with immediate effect on December 4, 2023, discretionary foreign exchange settlement applies to foreign exchange capital. The tentative percentage of foreign exchange settlement for foreign currency earnings in the capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) to further expand the scope of settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was amended with immediate effect on December 4, 2023. The notice canceled restrictions on the domestic equity investment by non-investment foreign-funded enterprises with their capital funds. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

HONG KONG TAXATION

Dividend Taxation

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares effected on the Stock Exchange. Capital gains from the sale of H Shares that are derived from outside Hong Kong but received in Hong Kong by a member of a MNE Group (as defined under the Inland Revenue Ordinance (Cap. 112) ("IRO") carrying on a trade, profession or business in Hong Kong, may be chargeable to Hong Kong profits tax if the member does not carry on specified economic activities (as defined under the IRO) in Hong Kong. Tax exemption and relief for foreign tax imposed on the gain may apply where specific conditions are met.

Trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. A concessionary tax rate at half of the applicable tax rate may apply to the first HKD2 million of assessable profits of corporations or unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Hong Kong has also introduced the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 to implement a domestic minimum top-up tax. For all fiscal years commencing on or after 1 January 2025, income of a constituent entity of an in-scope MNE group that is located in Hong Kong may also be subject to top-up tax.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of the Hong Kong securities, including H Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

Pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005, estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after February 11, 2006.

This appendix summarizes certain aspects of the PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Taxation and Foreign Exchange" in Appendix III to this Document. This appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential investors. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" for details.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the *PRC Constitution* (《中華人民共和國憲法》) (the "**Constitution**"), and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the *Legislation Law of the PRC* (《中華人民共和國立法法》) (the "**Legislation Law**"), which was amended by the NPC on 13 March 2023 and became effective on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into autonomous regions need to be approved before implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; the people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the *Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws* (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on 10 June 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the *Organic Law of the People's Courts of PRC* (《中華人民共和國人民法院組織法》) amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the *Organic Law of the People's procuratorates of PRC* (《中華人民共和國人民檢察院組織法》) revised by SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The *PRC Civil Procedure Law* (《中華人民共和國民事訴訟法(2023年修訂)》) (the "**PRC Civil Procedure Law**"), adopted by the SCNPC on 1 September 2023 and effective on 1 January 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations of the PRC.

The PRC Company Law, was adopted by the Fifth Standing Committee Meeting of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The latest revised PRC Company Law came into effect on 1 July 2024.

The Trial Measures and the Filing Rules promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and were applicable to the direct and indirect overseas share subscription and listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, where a domestic company directly offers and list overseas, it shall formulate its articles of association in line with the *Guidelines for Articles of Association of Listed Companies* (《上市公司章程指引》) (the "**Guidelines for Articles of Association**"), in place of the *Mandatory Provisions for Articles of Association of Companies to be Listed Overseas* (《到境外上市公司章程必備條款》) which ceased to apply from 31 March 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December 1997 and last amended on 28 March 2025.

Set out below is a summary of the major provisions of the PRC Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

"A joint stock limited company" means a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notify all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only in the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the Board of Directors and the Supervisory Committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be cast by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the Board of Directors shall authorize a representative to file an application for registration of establishment with the company registration authority. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares

Under the PRC Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property right, land use rights, shareholding or claims.

The Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the PRC Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issuing and listing overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Under the PRC Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the Shareholders' Meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the document.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) to prepare a balance sheet and a property list;

(ii) a company makes a resolution at Shareholders' Meeting to reduce its registered capital;

(iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital;

(iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;

(v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Repurchase of Shares

Under the PRC Company Law, a company shall not purchase its own shares. Except for the following circumstances:

(i) reducing the registered capital;

(ii) merging with other company that holds the shares of the company;

(iii) using the shares for employee stocks plan or equity incentives;

(iv) with respect to shareholders voting against any resolution adopted at the Shareholders' Meeting on the merger or division of the company, the right to demand the company to acquire the shares held by them;

(v) using the shares for the conversion of convertible corporate bonds issued by the company;

(vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the Board of Directors meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share held accumulatively by the company shall not exceed 10% of the total issued shares of a company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the PRC Company Law, a shareholder should affect a transfer of his shares on an established securities exchange according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the PRC Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of a company are listed and traded on a securities exchange. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted period.

Shareholders

Under the PRC Company Law and Guidelines for Articles of Association the rights of a shareholder of a company include:

(i) to receive dividends and other forms of interest distribution according to the number of shares held;

(ii) to legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the Shareholders' Meeting and exercise corresponding voting rights;

(iii) to supervise business operations of the company, provide suggestions or submit queries;

(iv) to transfer, grant or pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

(v) to read and copy the Articles of Association, the register of Shareholders, Shareholders' Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Supervisory Committee and financial and accounting reports;

(vi) shareholders who hold more than 3% of the company's shares individually or collectively for more than 180 consecutive days may inspect the company's accounting books and accounting vouchers as required by laws;

(vii) to participate in the distribution of the remaining assets of the company according to the proportion of shares held upon our termination or liquidation;

(viii) to require the company to acquire the shares from Shareholders voting against any resolutions adopted at the Shareholders' Meeting concerning the merger and division of the Company;

(ix) other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where the company's shares are listed, or the Articles of Association.

The obligations of a shareholder of a company include:

(i) to abide by laws, administrative regulations and the Articles of Association;

(ii) to provide Share capital according to the Shares subscribed for and Share participation methods;

(iii) not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;

(iv) not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;

(v) to perform other duties prescribed in laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed.

Shareholders' Meetings

Under the PRC Company Law, the Shareholders' Meeting of a joint stock limited company is made up of all shareholders. The Shareholders' Meeting is the organ of authority of a company, which exercises the following functions and powers:

(i) electing and replacing directors and supervisors and deciding on their remunerations;

(ii) deliberating on and approving the reports of the Board of Directors;

(iii) deliberating on and approving the reports of the Supervisory Committee;

(iv) deliberating on and approving the plans for profit distribution and making up losses of the company;

(v) making resolutions on the increase or decrease of the registered capital of the company;

(vi) making resolutions on the issuance of corporate bonds;

(vii) making resolutions on the merger, division, dissolution, liquidation or change of corporate form of the company;

(viii) amending the articles of association; and

(ix) other functions and powers as prescribed in the articles of association.

Under the PRC Company Law, annual Shareholders' Meetings are required to be held once every year. An extraordinary Shareholders' Meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated in the PRC Company Law or less than two-thirds of the number specified in the articles of association;

(ii) when the unrecovered losses of a company amount to one-third of the share capital;

(iii) shareholders individually or jointly holding 10% or more of the company's shares request;

(iv) when deemed necessary by the Board of Directors;

(v) the Supervisory Committee proposes to convene the meeting;

(vi) other circumstances as stipulated in the articles of association.

Shareholders' Meeting shall be convened by the Board of Directors, and presided over by the chairman of the Board of Directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the Board of Directors is incapable of performing or is not performing its duties to convene the Shareholders' Meeting, the Supervisory Committee should convene and preside over Shareholders' Meeting in a timely manner. If the Supervisory Committee fails to convene and preside over Shareholders' Meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over Shareholders' Meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim Shareholders' Meeting, the Board of Directors and the Supervisory Committee should, within 10 days after the receipt of such request, decide whether to hold an interim Shareholders' Meeting and reply to the shareholders in writing.

Notice of meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before Shareholders' Meeting. The convener shall issue a supplementary notice of Shareholders' Meeting within two days after receiving the proposal and announce the contents of the interim proposal.

Under the PRC Company Law, a shareholder may entrust a proxy to attend a Shareholders' Meeting, and it should clarify the matters, powers and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a Shareholders' Meeting.

Under the PRC Company Law, shareholders present at a Shareholders' Meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the Shareholders' Meeting in accordance with the provisions of the articles of association or the resolutions of the Shareholders' Meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the Shareholders' Meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the PRC Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the Shareholders' Meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Directors

Under the PRC Company Law, a joint stock limited company should have a Board of Directors, but a company with a small scale or a small number of shareholders can not have a Board of Directors. A Board of Directors should consist of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the Board of Directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board of Directors exercises the following functions and powers:

(i) to convene Shareholders' Meeting and report its work to the Shareholders' Meeting;

(ii) to implement the resolutions of the Shareholders' Meeting;

(iii) to decide on a company's business plans and investment plans;

(iv) to formulate a company's profit distribution plan and loss recovery plan;

(v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;

(vi) to formulate plans for merger, division, dissolution or change of corporate form of a company;

(vii) to decide on the internal management structure of a company;

(viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

(ix) to formulate a company's basic management system;

(x) other functions and powers specified in the articles of association or granted by the Shareholders' Meeting.

Board of Directors meetings shall be held only if more than half of the directors are present. If a director is unable to attend a Board of Directors meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the Board of Directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the PRC Company Law, a person may not serve as a director of a company if he/she is:

(i) a person without capacity or with restricted capacity;

(ii) a person who has been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period;

(iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and

(v) being listed as one of "dishonest persons subject to enforcement" by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The Board of Directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

(i) to preside over Shareholders' Meetings and convene and preside over Board of Directors meetings;

(ii) to examine the implementation of resolutions of the Board of Directors;

(iii) to exercise other powers conferred by the Board of Directors.

Supervisors

Under the PRC Company Law, except as otherwise provided by law, a joint stock limited company shall have a Supervisory Committee composed of not less than three members. The Supervisory Committee shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third and the specific proportion shall be stipulated in the articles of association. Employee representatives of the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, employee meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The Supervisory Committee exercises the following powers:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of Shareholders' Meetings;

(iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;

(iv) to propose the convening of interim Shareholders' Meetings, and to convene and preside over Shareholders' Meetings when the Board of Directors fails to perform the duty of convening and presiding over Shareholders' Meetings under the PRC Company Law;

(v) to submit proposals to the Shareholders' Meeting;

(vi) to initiate legal proceedings against directors and senior management in accordance with the PRC Company Law;

(vii) other functions and powers specified in the articles of association.

Managers and Senior Management

Under the PRC Company Law, a company should have a manager who is appointed or removed by the Board of Directors. The manager is responsible to the Board of Directors and exercises his/her functions and powers according to the Articles of Association or the authorization of the Board of Directors. The manager attends the meetings of the board of directors as a non-voting member.

According to the PRC Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the Board of Directors of listed company and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful incomes and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from:

(i) embezzling the company's property or misappropriating the company's capital;

(ii) depositing the company's capital into accounts under his own name or the name of other individuals;

(iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power;

(iv) accepting and possessing commissions paid by a third party for transactions conducted with the company;

(v) unauthorized divulgence of confidential business information of the company; or

(vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report the matters relating to the conclusion of the contract or transaction to the Board of Directors or Shareholders' Meeting, subject to the approval of the Board of Directors or shareholders according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor nor senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

(i) where he/she has reported to the Board of Directors or the Shareholders' Meeting and has been approved by a resolution of the Board of Directors or the Shareholders' Meeting according to the Articles of Association; or

(ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the Articles of Association.

Where any director, supervisor or senior management fails to report to the Board of Directors or the Shareholders' Meeting and obtain an approval by resolution of the Board of Directors or the Shareholders' Meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial and accounting report which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital.

If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the meeting or the Shareholders' Meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the Articles of Association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a Shareholders' Meeting, the Board of Directors or the Supervisory Committee in accordance with the articles of association. The accounting firm should be allowed to make representations when the meeting, the Board of Directors or the Supervisory Committee conduct a vote on the dismissal of the accounting firm.

The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the meeting of shareholders.

Profit Distribution

Where a company distributes profits to shareholders in violation of the provisions of the PRC Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders, directors, supervisors, and senior management personnel who are responsible for causing losses to the company shall bear compensation liability.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved for the following reasons:

(i) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(ii) dissolution by a resolution of the shareholders' meeting;

(iii) dissolution is necessary due to a merger or division of the company;

(iv) the business license is revoked, or the business license is ordered to be closed or revoked in accordance with laws;

(v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i), (ii) above and has not yet distributed property to shareholders, it may carry on its existence by amending its articles of association or upon a resolution of the Shareholders' Meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the Shareholders' Meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution.

The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's Articles of Association or it is otherwise elected by the Shareholders' Meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

(i) to liquidate the company's property and respectively prepare balance sheet and list of property;

(ii) to notify creditors by notice or public announcement;

(iii) to deal with the outstanding business of the company involved in the liquidation;

(iv) to pay all outstanding taxes and taxes arising in the course of liquidation;

(v) to liquidate claims and debts;

(vi) distributing the remaining property of the company after paying off debts;

(vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the Shareholders' Meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancellation of the company's registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who causes any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas Listing

According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The PRC Company Law has deleted provisions governing suspension and termination of listing. The Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by Chinese companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In April 1998, the State Council consolidated the above two departments and reformed the CSRC.

The *Provisional Regulations for the Administration of Issuing and Trading of Shares* (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on 22 April 1993 provide the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The *Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies* (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on 25 December 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the *Arbitration Law of the PRC* (《中華人民共和國仲裁法》), or the Arbitration Law, amended by the SCNPC on September 1 2017 and effective on January 1 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the *Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region* (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the *Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region* (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

This Appendix is mainly providing potential investors with an overview on the Articles of Association of the Company. The following information is only a summary, not covering all the information that may be material to potential investors.

INCREASE/DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase/Decrease of Shares

In light of the needs of the Company's operation and development, and in accordance with the provisions of laws and administrative regulations, the Company may, upon separate resolutions adopted by the Shareholders' Meeting, increase its capital by adopting the following methods:

(i) publicly issuing shares after obtaining the approval of the securities regulatory authority in the place where the Company's shares are listed;

(ii) issuing shares via a private placement;

(iii) allotting bonus shares to existing shareholders;

(iv) converting the capital reserve into share capital;

(v) other methods as prescribed by laws and administrative regulations, and approved by the CSRC, the securities regulatory authority in the place where the Company's shares are listed, and the stock exchange.

According to the provisions of the Company's Articles of Association, the Company may reduce its registered capital. When reducing the registered capital, the Company shall follow the procedures stipulated in the PRC Company Law, other relevant regulations, and the Company's Articles of Association.

Repurchase of Shares

The Company may acquire its own shares in accordance with the provisions of laws, administrative regulations, departmental rules and regulations, and the Company's Articles of Association under the following circumstances:

(i) reducing the Company's registered capital;

(ii) merging with other companies that hold shares of the Company;

(iii) using the shares for an employee shareholding plan or equity incentive;

(iv) where a shareholder, dissenting from the resolutions of the Company's merger or division passed by the Shareholders' Meeting, requests the Company to acquire his/her shares;

(v) using the shares to convert the convertible corporate bonds issued by the Company into stocks;

(vi) when it is necessary for the Company to safeguard the Company's value and the rights and interests of its shareholders.

Except for the above-mentioned circumstances, the Company shall not acquire its own shares.

Where the Company acquires its own shares due to the circumstances specified in item (i) and item (ii) above, a resolution of the Shareholders' Meeting shall be obtained. Where the Company acquires its own shares due to the circumstances specified in item (iii), item (v) and item (vi) above, it may, in accordance with the provisions of the Company's Articles of Association and on the premise of complying with the securities regulatory rules applicable to the place where the Company's shares are listed, pass a resolution at a meeting of the Board of Directors attended by more than two-thirds of the directors.

As for A shares, after the Company acquires its own shares in accordance with the above provisions, in the case of item (i), the acquired shares shall be cancelled within 10 days as of the date of acquisition; in the case of item (ii) and item (iv), the acquired shares shall be transferred or cancelled within 6 months; in the case of item (iii), item (v) and item (vi), the total number of the Company's own shares held by the Company shall not exceed 10% of the total number of issued shares of the Company, and shall be transferred or cancelled within 3 years.

As for H shares, where laws, regulations and the securities regulatory authority in the place where the Company's shares are listed have otherwise prescribed relevant matters concerning the share repurchase, such provisions shall prevail.

Transfer of Shares

The shares issued before the Company's initial public offering of A shares shall not be transferred within one year as of the date when the Company's A shares are listed and traded on a securities exchange. Where laws, administrative regulations or the securities regulatory institution of the State Council have otherwise provided for the transfer of the shares held by the Company's shareholders or actual controllers, such provisions shall prevail.

Directors, Supervisors and senior management of the Company shall report to the Company the number of the Company's shares they hold and any changes thereto. During their term of office, the number of shares they transfer each year shall not exceed 25% of the total number of the Company's shares they hold; and the shares of the Company they hold shall not be transferred within one year as of the date when the Company's shares are listed and traded. Within six months after the above-mentioned personnel leave their positions, they shall not transfer the shares of the Company they hold. Where the securities regulatory rules of the place where the Company's shares are listed have otherwise provided for the restrictions on the transfer of the Company's shares, such provisions shall prevail.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The shareholders of the Company shall be entitled to the following rights:

(i) to receive dividends and other forms of profit distribution in accordance with the number of shares held;

(ii) to request, convene, preside over, attend or entrust an agent to attend the Shareholders' Meeting in accordance with the law, speak at the Shareholders' Meeting, and exercise the corresponding voting rights in accordance with the law, provided that unless an individual shareholder is required to abstain from voting on specific matters in accordance with the securities regulatory rules of the listing place or the provisions of applicable laws and regulations;

(iii) to supervise the Company's operation and put forward suggestions or inquiries;

(iv) to transfer, donate or pledge the shares held in accordance with the provisions of laws, administrative regulations and the Company's Articles of Association;

(v) to consult the Company's Articles of Association, the shareholder register, the minutes of Shareholders' Meetings, the resolutions of Board of Directors' meetings, resolutions of meetings of the Supervisory Committee and the financial and accounting reports;

(vi) shareholders who individually or jointly hold more than 3% of the Company's shares for more than 180 consecutive days may, in accordance with the provisions of the law, request to consult the Company's accounting books and accounting vouchers;

(vii) when the Company is terminated or liquidated, to participate in the distribution of the Company's remaining property in accordance with the number of shares held;

(viii) shareholders who dissent from the resolutions of the Company's merger or division passed by the Shareholders' Meeting may request the Company to acquire their shares;

(ix) other rights as provided for by laws, administrative regulations, departmental rules and regulations, the Company's Articles of Association or the securities regulatory rules of the place where the company's shares are listed.

If the contents of the resolutions of the Company's Shareholders' Meeting or the Board of Directors violate laws or administrative regulations, shareholders shall have the right to request the people's court at the Company's place of registration to determine such resolutions invalid. If the convening procedures or voting methods of the Shareholders' Meeting or the Board of Directors' meeting violate laws, administrative regulations or the Company's Articles of Association, or if the contents of the resolutions violate the Company's Articles of Association, shareholders shall have the right to request the people's court at the Company's place of registration to revoke such resolutions within 60 days as of the date of adoption of the resolutions. However, this shall not apply where there are only minor flaws in the convening procedures or voting methods of the Shareholders' Meeting or the Board of Directors' meeting and such flaws have not had a substantial impact on the resolutions.

The Shareholders of the Company shall undertake the following obligations:

(i) to abide by laws, administrative regulations and the Company's Articles of Association;

(ii) to pay the share capital in accordance with the subscribed shares and the method of shareholding;

(iii) except in the circumstances provided for by laws and regulations, not to withdraw from the shares;

(iv) not to abuse the shareholder rights to damage the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to damage the interests of the Company's creditors;

(v) other obligations that shall be borne as provided for by laws, administrative regulations, the Company's Articles of Association or the securities regulatory rules of the place where the Company's shares are listed.

Where a shareholder of the Company abuses the shareholder rights and causes losses to the Company or other shareholders, he/she shall bear the liability for compensation in accordance with the law. Where a shareholder of the Company abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts, which seriously damages the interests of the Company's creditors, he/she shall bear joint and several liability for the Company's debts.

The controlling Shareholder or actual controller of the Company shall not utilize its related-party relationship against the interests of the Company, or else, shall compensate the Company for any loss incurred.

General Provisions for Shareholders' Meetings

The Shareholders' Meeting is the power organ of the Company and shall exercise the following authorities in accordance with the law:

(i) to elect and replace directors and supervisors who are not represented by employees, and to decide on matters regarding their remuneration;

(ii) to consider and approve the report of the Board of Directors;

(iii) to consider and approve the report of the Supervisory Committee;

(iv) to consider and approve the Company's profit distribution plan and the plan for making up losses;

(v) to pass resolutions on the increase or decrease of the Company's registered capital;

(vi) to pass resolutions on the issuance of corporate bonds;

(vii) to pass resolutions on the merger, division, dissolution, liquidation of the Company or the change of the Company's form;

(viii) to amend the Company's Articles of Association;

(ix) to pass resolutions on the engagement and dismissal of the Company's accounting firm;

(x) to consider and approve the guarantee matters specified in the Company's Articles of Association;

(xi) to consider matters concerning the Company's purchase and sale of major assets within one year, where the value of such assets exceeds 30% of the Company's latest audited total assets;

(xii) to consider and approve matters concerning the change of the use of raised funds;

(xiii) to consider and approve the equity incentive plan and the employee shareholding plan;

(xiv) to authorize the Board of Directors to decide to issue shares with an aggregate amount of financing not exceeding RMB300 million and not exceeding 20% of the net assets as at the end of the most recent year to specific parties, and such authorization shall expire on the date ofthe next annual general meeting;

(xv) to consider and approve other matters that should be decided by the Shareholders' Meeting as stipulated by laws, administrative regulations, departmental rules and regulations, the Company's Articles of Association, or the securities regulatory rules of the place where the Company's shares are listed.

The Shareholders' Meeting is divided into the annual Shareholders' Meeting and the extraordinary Shareholders' Meeting. The annual Shareholders' Meeting shall be held once each fiscal year and shall be convened within six months after the end of the previous fiscal year. In case any of the following circumstances occurs, the Company shall convene an extraordinary Shareholders' Meeting within two months as of the date when the relevant fact occurs:

(i) when the number of directors is less than the statutory minimum number specified in the PRC Company Law or two-thirds of that specified in the Company's Articles of Association;

(ii) when the Company's uncovered losses reach one-third of the total share capital;

(iii) when shareholders who individually or jointly hold more than 10% of the total number of the Company's shares make a request;

(iv) when the Board of Directors deems it necessary;

(v) when a majority of all independent non-executive directors propose to convene the meeting;

(vi) when the Supervisory Committee proposes to convene the meeting;

(vii) in other circumstances as provided for by laws, administrative regulations, departmental rules and regulations, the Company's Articles of Association or the securities regulatory rules of the place where the Company's shares are listed.

Convening of Shareholders' Meetings

With the approval of a majority of all independent non-executive directors, independent non-executive directors shall have the right to propose in writing to the Board of Directors to convene an extraordinary Shareholders' Meeting. Regarding the proposal of the independent non-executive directors to convene an extraordinary Shareholders' Meeting, the Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Company's Articles of Association, submit a written feedback indicating whether it agrees or disagrees to convene the extraordinary Shareholders' Meeting within 10 days upon receipt of the proposal. If the Board of Directors agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within 5 days after passing the resolution of the Board of Directors. If the Board of Directors disagrees to convene the extraordinary Shareholders' Meeting, it shall state the reasons and make an announcement.

The Supervisory Committee shall have the right to propose in writing to the Board of Directors to convene an extraordinary Shareholders' Meeting. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Company's Articles of Association, submit a written feedback indicating whether it agrees or disagrees to convene the extraordinary Shareholders' Meeting within 10 days upon receipt of the proposal. If the Board of Directors agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within 5 days after passing the resolution of the Board of Directors. Any changes to the original proposal in the notice shall be subject to the consent of the Supervisory Committee. If the Board of Directors disagrees to convene the extraordinary Shareholders' Meeting, or fails to provide feedback within 10 days upon receipt of the proposal, it shall be deemed that the Board of Directors is unable to perform or fails to perform its duty of convening the Shareholders' Meeting, and the Supervisory Committee may convene and preside over the Shareholders' Meeting on its own.

Shareholders who individually or jointly hold more than 10% of the Company's shares shall have the right to request the Board of Directors to convene an extraordinary Shareholders' Meeting and shall submit the request to the Board of Directors in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Company's Articles of Association, submit a written feedback indicating whether it agrees or disagrees to convene the extraordinary Shareholders' Meeting within 10 days upon receipt of the request. If the Board of Directors agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within 5 days after passing the resolution of the Board of Directors. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. If the Board of Directors disagrees to convene the extraordinary Shareholders' Meeting, or fails to provide feedback within 10 days upon receipt of the request, shareholders who individually or jointly hold more than 10% of the Company's shares shall have the right to propose to the Supervisory Committee to convene an extraordinary Shareholders' Meeting and shall submit the request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within 5 days upon receipt of the request. Any changes to the original proposal in the notice shall be subject to the consent of the relevant shareholders. If the Supervisory Committee fails to issue a notice for the Shareholders' Meeting within the specified time limit, it shall be deemed that the Supervisory Committee will not convene and preside over the Shareholders' Meeting. Shareholders who individually or jointly hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the shareholders' meeting on their own.

Notice of Shareholders' Meeting

The annual Shareholders' Meeting shall notify each shareholder in writing (including through announcements) 21 days prior to the convening of the meeting, and the extraordinary Shareholders' Meeting shall notify each shareholder in writing (including through announcements) 15 days prior to the convening of the meeting.

The written notice of the Shareholders' Meeting shall include the following contents:

(i) the time, place and duration of the meeting;

(ii) the matters and proposals to be considered at the meeting;

(iii) it shall be clearly stated in writing that all shareholders have the right to attend the Shareholders' Meeting, and may entrust an agent in writing to attend the meeting and participate in the voting. the shareholder's agent does not have to be a shareholder of the Company;

(iv) the record date for equity of shareholders entitled to attend the Shareholders' Meeting;

(v) the name and telephone number of the permanent contact person for the meeting affairs;

(vi) the voting time and voting procedures for online or other methods;

(vii) other requirements as provided for by laws, administrative regulations, departmental rules and regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Company's Articles of Association.

The notice and supplementary notice of the Shareholders' Meeting shall include the contents specified in the securities regulatory rules of the place where the Company's shares are listed and this Articles of Association, and shall fully and completely disclose all the specific contents of all the proposals. Where matters to be discussed require independent non-executive directors to express their opinions, the opinions and reasons of the independent non-executive directors shall be disclosed simultaneously when the notice or supplementary notice of the Shareholders' Meeting is issued.

The start time of the online or other forms of voting for the Shareholders' Meeting shall not be earlier than 3:00 p.m. of the day prior to the convening of the on-site Shareholders' Meeting, and shall not be later than 9:30 a.m. of the day when the on-site Shareholders' Meeting is convened. The end time of the voting shall not be earlier than 3:00 p.m. of the day when the on-site Shareholders' Meeting ends.

The interval between the equity record date and the meeting date shall not be more than 7 working days. Once the equity record date is confirmed, it shall not be changed.

After the notice of the Shareholders' Meeting is issued, without justifiable reasons, the Shareholders' Meeting should not be postponed or cancelled, and the proposals listed in the notice of the Shareholders' Meeting should not be cancelled. In case of any postponement or cancellation, the convener shall make an announcement and state the reasons at least 2 working days before the originally scheduled convening date. Where the securities regulatory rules of the place where the Company's shares are listed have special provisions on the procedures for postponing or cancelling the Shareholders' Meeting, such provisions shall prevail, provided that they do not violate the domestic regulatory requirements.

Proposals at Shareholders' Meetings

When the Company convenes a Shareholders' Meeting, the Board of Directors, the Supervisory Committee, and shareholders who individually or jointly hold more than 1% of the Company's shares have the right to submit proposals to the Company.

Shareholders who individually or jointly hold more than 1% of the Company's shares may put forward an extraordinary proposal 10 days before the convening of the Shareholders' Meeting and submit it in writing to the convener. The convener shall issue a supplementary notice of the Shareholders' Meeting within 2 days after receiving the proposal, and announce the content of the extraordinary proposal. If, in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed, the Shareholders' Meeting needs to be postponed due to the publication of the supplementary notice of the Shareholders' Meeting, the convening of the Shareholders' Meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

Except for the circumstances specified in the preceding paragraph, after issuing the notice and announcement of the Shareholders' Meeting, the convener shall not modify the proposals already listed in the notice of the Shareholders' Meeting or add new proposals.

Proxy for the Shareholders' Meeting

Shareholders may attend the Shareholders' Meeting in person, or entrust an agent to attend and vote on their behalf. The agent need not be a shareholder of the Company.

If a natural person shareholder attends the meeting in person, he/she shall present his/her identity card or other valid certificates or documents indicating his/her identity, and the stock account card; if entrusting an agent to attend the meeting, he/she shall present his/her valid identity document, the power of attorney from the shareholder, and the stock account card.

A corporate shareholder shall be represented by its legal representative or an agent entrusted by the legal representative to attend the meeting and vote at the meeting. When the legal representative attends the meeting, he/she shall present his/her identity card, the business license of the corporate shareholder affixed with the official seal, a valid certificate proving his/her qualification as the legal representative, and the stock account card of the corporate shareholder; when an agent is entrusted to attend the meeting, the agent shall present his/her identity card, the written power of attorney lawfully issued by the legal representative of the corporate shareholder, the business license of the corporate shareholder affixed with the official seal, and the stock account card of the corporate shareholder (except when the shareholder is a recognized clearing house (or its agent) as defined in the relevant ordinances promulgated from time to time in Hong Kong).

A shareholder of an unincorporated partnership enterprise shall be represented by a natural person executive partner or a delegated representative of a non-natural person executive partner to attend the meeting, or by an agent entrusted by the aforesaid person to attend the meeting and vote at the meeting. When a natural person executive partner or a delegated representative of a non-natural person executive partner attends the meeting, he/she shall present his/her identity card, a valid certificate proving his/her qualification as a natural person executive partner or a delegated representative of a non-natural person executive partner, and the stock account card of the shareholder entity; when an agent is entrusted to attend the meeting, the agent shall present his/her identity card, the written power of attorney lawfully issued by the natural person executive partner or the delegated representative of the non-natural person executive partner of the shareholder entity, and the stock account card of the shareholder entity (except when the shareholder is a recognized clearing house (or its agent) as defined in the relevant ordinances promulgated from time to time in Hong Kong).

Voting at the Shareholders' Meeting

The resolutions of the Shareholders' Meeting divided into ordinary resolutions and special resolutions. An ordinary resolution at a Shareholders' Meeting shall be passed by more than half of the voting rights held by the shareholders present at the Shareholders' Meeting (including proxies). A special resolution at a Shareholders' Meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the Shareholders' Meeting (including proxies).

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote.

If a shareholder purchases voting shares of the Company in violation of the provisions of Paragraph 1 and Paragraph 2 of Article 63 of the Securities Law, the shares in excess of the specified proportion shall not be entitled to exercise the voting rights within 36 months as of the date of purchase, and shall not be counted into the total number of voting shares of the shareholders attending the Shareholders' Meeting. According to the applicable laws, regulations and the Hong Kong Listing Rules, if any shareholder is required to abstain from voting on a certain resolution matter, or any shareholder is restricted to only vote in favor of (or against) a certain resolution matter, the number of votes cast by such shareholder or its representative in violation of the relevant provisions or restrictions shall not be counted into the total number of voting shares.

The following matters shall be adopted by the Shareholders' Meeting through an ordinary resolution:

(i) the work reports of the Board of Directors and the Supervisory Committee;

(ii) the profit distribution plan and the loss recovery plan prepared by the Board of Directors;

(iii) the appointment and removal of members of the Board of Directors and the Supervisory Committee, as well as their remuneration and payment methods;

(iv) the Company's annual report;

(v) other matters except those that shall be adopted by a special resolution as provided for by laws, administrative regulations, the Company's Articles of Association or the securities regulatory rules of the place where the Company's shares are listed.

The following matters shall be adopted by the Shareholders' Meeting through a special resolution:

(i) the increase or decrease of the Company's registered capital;

(ii) the division, spin-off, merger, dissolution and liquidation (including voluntary winding-up) of the Company;

(iii) the amendment of the Company's Articles of Association;

(iv) the equity incentive plan;

(v) the Company's purchase or sale of major assets or provision of guarantees within one year, where the amount exceeds 30% of the Company's latest audited total assets;

(vi) other matters that, as provided for by laws, administrative regulations, the Company's Articles of Association or the securities regulatory rules of the place where the Company's shares are listed, and as determined by the Shareholders' Meeting through an ordinary resolution, will have a significant impact on the Company and need to be adopted by a special resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced by the Shareholders' Meeting, and their positions may be terminated by the Shareholders' Meeting before the expiration of their term of office. The term of office of a director is three years, and upon the expiration of the term, the director may be re-elected for consecutive terms in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

Directors may concurrently hold the position of general manager or other senior management positions. However, the total number of directors who concurrently hold the position of general manager or other senior management positions and directors who are representatives of employees shall not exceed one-half of the total number of directors of the Company. The Company's Board of Directors does not arrange for employee representatives to serve as directors.

The directors of the Company may include executive directors, non-executive directors and independent non-executive directors. Non-executive directors refer to directors who do not hold positions in the Company's operation and management. Relevant matters such as the eligibility requirements, nomination and election procedures, and authorities of independent non-executive directors shall be implemented in accordance with the relevant provisions of laws, the CSRC and the securities exchange where the Company's shares are listed. Directors shall possess the eligibility qualifications required by laws, administrative regulations, rules, the Company's Articles of Association and the securities regulatory rules of the place where the Company's shares are listed.

Directors shall abide by laws, administrative regulations and the Company's Articles of Association, and owe the following fiduciary duties to the Company:

(i) they shall not accept bribes or other illegal incomes by taking advantage of their positions, nor embezzle the Company's property;

(ii) they shall not misappropriate the Company's funds;

(iii) they shall not open an account in their own name or the name of other individuals to deposit the Company's assets or funds;

(iv) without the consent of the Shareholders' Meeting or the Board of Directors, they shall not, in violation of the provisions of the Company's Articles of Association, lend the Company's funds to others or provide guarantees for others with the Company's property;

(v) without the resolution of the Board of Directors or the Shareholders' Meeting, they shall not, in violation of the provisions of the Company's Articles of Association or without fulfilling the reporting obligations to the Board of Directors or the Shareholders' Meeting, enter into contracts or conduct transactions with the Company;

(vi) without the consent of the Shareholders' Meeting or the Board of Directors, they shall not, by taking advantage of their positions, seek for themselves or others the business opportunities that should belong to the Company. However, the following circumstances are exceptions:

Report to the Board of Directors or the Shareholders' Meeting, and pass the resolution of the Board of Directors or the Shareholders' Meeting in accordance with the provisions of the Company's Articles of Association;

According to the provisions of laws, administrative regulations or the Company's Articles of Association, the Company cannot take advantage of such business opportunities.

(vii) they shall not accept commissions from transactions with the Company for their own benefit;

(viii) without reporting to the Board of Directors or the Shareholders' Meeting and passing the resolution of the Board of Directors or the Shareholders' Meeting in accordance with the provisions of the Company's Articles of Association, they shall not engage in business of the same kind as that of the Company by themselves or for others;

(ix) they shall not disclose the Company's trade secrets and information that has not been made public without authorization;

(x) they shall not damage the Company's interests by taking advantage of their affiliated (connected) relationships;

(xi) other fiduciary duties as provided for by laws, administrative regulations, departmental rules and regulations, the Company's Articles of Association and the securities regulatory rules of the place where the Company's shares are listed.

Any income obtained by directors in violation of the provisions of this article shall belong to the Company; if losses are caused to the Company, they shall bear the liability for compensation.

Directors shall abide by laws, administrative regulations and the Company's Articles of Association, and owe the following duties of diligence to the Company:

(i) they shall exercise the rights granted by the Company prudently, earnestly and diligently to ensure that the Company's business activities comply with the requirements of national laws, administrative regulations and various national economic policies, and that the business activities do not exceed the scope of business specified in the business license;

(ii) they shall treat all shareholders fairly;

(iii) they shall promptly understand the Company's business operation and management situation;

(iv) they shall sign a written confirmation opinion on the Company's periodic reports to ensure that the information disclosed by the Company is true, accurate and complete;

(v) they shall truthfully provide relevant information and materials to the Supervisory Committee, and shall not obstruct the Supervisory Committee or Supervisors from exercising their powers;

(vi) other duties of diligence as provided for by laws, administrative regulations, departmental rules and regulations, the Company's Articles of Association and the securities regulatory rules of the place where the Company's shares are listed.

Chairman

The Board of Directors shall appoint a Chairman. The Chairman shall be assumed by a Director of the Company and elected by the Board of Directors by more than one half of all Directors.

Board of Directors

The Board of Directors shall consist of nine directors, among which the number of independent non-executive directors shall not be less than three and shall not be less than one-third of all the directors. There shall be one Chairman of the Board of Directors.

The Board of Directors exercises the following powers:

(i) to be responsible for convening the Shareholders' Meeting and reporting the work to the Shareholders' Meeting;

(ii) to implement the resolutions of the Shareholders' Meeting;

(iii) to decide on the Company's business plans and investment plans;

(iv) to formulate the Company's profit distribution plan and loss recovery plan;

(v) to formulate the Company's plan for increasing or decreasing the registered capital, issuing bonds or other securities and going public;

(vi) to draw up plans for major acquisitions by the Company, acquisition of the Company's own shares, or merger, division, dissolution and change of the Company's form;

(vii) within the scope of authorization of the Shareholders' Meeting, to decide on matters such as the Company's external investment, acquisition and sale of assets, asset mortgage, external guarantee, entrusted wealth management, affiliated (connected) transactions, external donations, etc.;

(viii) to decide on the establishment of the Company's internal management institutions;

(ix) to appoint or dismiss the Company's general manager and secretary of the Board of Directors, and to decide on their remuneration, rewards and punishments; based on the nomination of the general manager, to appoint or dismiss senior management personnel such as the Company's deputy general manager and chief financial officer, and to decide on their remuneration, rewards and punishments;

(x) to formulate and revise the Company's basic management systems;

(xi) to formulate a plan for amending the Company's Articles of Association;

(xii) to manage the Company's information disclosure matters;

(xiii) to propose to the Shareholders' Meeting the engagement or replacement of the accounting firm that audits the Company;

(xiv) to listen to the work reports of the Company's general manager and relevant personnel and inspect the work of the general manager;

(xv) to deliberate on the Company's acquisition of its own shares in the situations specified in Paragraph 1, Items (3), (5) and (6) of Article 22 of the Company's Articles of Association, and a resolution of the Board of Directors meeting attended by more than two-thirds of the directors shall be required;

(xvi) other powers and functions as provided for by laws, administrative regulations, the Company's Articles of Association or the securities regulatory rules of the place where the Company's shares are listed, and those granted by the Company's Articles of Association.

Matters exceeding the scope of authorization by the shareholders' meeting shall be submitted to the shareholders' meeting.

Subject to compliance with the provisions of the securities regulatory rules of the place where the Company's shares are listed, the Board of Directors shall determine the authorities regarding external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted wealth management, affiliated (connected) transactions, and external donations, and establish strict examination and decision-making procedures. For major investment projects, relevant experts and professionals shall be organized to conduct evaluations, and such projects shall be reported to the Shareholders' Meeting for approval and comply with the securities regulatory rules of the place where the Company's shares are listed.

A meeting of the Board of Directors may be held only when more than half of the directors are present. A resolution of the Board of Directors must be passed by more than half of all the directors, except as otherwise provided by laws, regulations, the securities regulatory rules of the place where the Company's shares are listed and the Company's Articles of Association. In the voting on resolutions of the Board of Directors, each director shall have one vote.

If a director has an affiliated (connected) relationship with an enterprise involved in the matters to be resolved at a Board of Directors' meeting, the director shall promptly report it in writing to the Board of Directors. Such a director shall not exercise the right to vote on the matter, nor shall he/she act as an agent for other directors to exercise the right to vote. The Board of Directors' meeting may be held only when more than half of the directors without affiliated (connected) relationships are present, and the resolution passed shall be approved by more than half of the directors without affiliated (connected) relationships who attend the meeting. If the number of directors without affiliated (connected) relationships attending the Board of Directors' meeting is less than three, the matter shall be submitted to the Shareholders' Meeting for deliberation.

Special Committees under the Board

The Board of Directors has established four special committees, namely the Strategy and ESG Committee, the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee. The special committees shall be responsible to the Board of Directors, and perform their duties according to the Articles of Association and the authorization granted by the Board of Directors.

Secretary to the Board

The Company shall appoint a secretary of the Board of Directors, who shall be responsible for the preparation of the Shareholders' Meetings and Board of Directors' meetings of the Company, the custody of documents, the management of the Company's shareholder information, and the handling of information disclosure matters, among others. The secretary of the Board of Directors shall comply with the relevant provisions of laws, administrative regulations, departmental rules and regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Company's Articles of Association.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one general manager, who shall be appointed or dismissed by the Board of Directors. The Company shall have several deputy general managers, who shall be nominated by the general manager and appointed by the Board of Directors. The deputy general managers shall assist the general manager in his/her work. The general manager, deputy general managers, chief financial officer and secretary of the Board of Directors of the Company shall be the senior management personnel of the Company.

The general manager shall be responsible to the Board of Directors and exercise the following powers:

(i) to preside over the Company's production, operation and management work, organize the implementation of the resolutions of the Board of Directors, and report work to the Board of Directors;

(ii) to organize the implementation of the Company's annual business plan and investment plan;

(iii) to draw up a plan for the establishment of the Company's internal management institutions;

(iv) to draw up the Company's basic management systems;

(v) to formulate the Company's specific rules and regulations;

(vi) to propose to the Board of Directors the appointment or dismissal of the Company's deputy general managers and chief financial officer;

(vii) to decide on the appointment or dismissal of responsible management personnel other than those whose appointment or dismissal shall be decided by the Board of Directors;

(viii) other powers granted by the Company's Articles of Association or the Board of Directors.

SUPERVISORS AND SUPERVISORY COMMITTEE

Supervisors

The term of office of each supervisor is three years. Upon the expiration of the term of office, a supervisor may be re-elected for consecutive terms. Directors, the general manager and other senior management personnel shall not concurrently serve as Supervisors.

The Supervisors may attend the meetings of the Board of Directors.

Supervisory Committee

The Company shall have a Supervisory Committee. The Supervisory Committee consists of three Supervisors. The Supervisory Committee has one chairperson, who is elected by a simple majority of all Supervisors.

The Supervisory Committee shall exercise the following powers:

(i) it shall review the Company's periodic reports prepared by the Board of Directors and submit written review opinions;

(ii) to inspect the Company's finances;

(iii) to supervise the acts of directors and senior management personnel in the performance of their duties for the Company, and to propose the removal of directors and senior management personnel who violate laws, administrative regulations, the Company's Articles of Association, the securities regulatory rules of the place where the Company's shares are listed, or the resolutions of the Shareholders' Meeting;

(iv) when the acts of directors and senior management personnel damage the interests of the Company, to demand that the directors and senior management personnel make corrections;

(v) to propose the convening of an extraordinary Shareholders' Meeting, and to convene and preside over the Shareholders' Meeting when the Board of Directors fails to perform its duties of convening and presiding over the Shareholders' Meeting as stipulated in the PRC Company Law;

(vi) to submit proposals to the Shareholders' Meeting;

(vii) to initiate legal proceedings against directors and senior management personnel in accordance with the relevant provisions of the PRC Company Law;

(viii) when it discovers that the Company's business operations are abnormal, it may conduct investigations; when necessary, it may engage professional institutions such as accounting firms and law firms to assist in its work, and the expenses shall be borne by the Company;

(ix) other powers granted by laws, administrative regulations, departmental rules and regulations, the listing rules of the securities exchange where the Company's shares are listed, or the Company's Articles of Association.

QUALIFICATIONS AND RESPONSIBILITIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

None of the following persons shall serve as our Director, Supervisor or senior management:

(i) being without capacity for civil conduct or with limited capacity for civil conduct;

(ii) having been sentenced to criminal punishment for embezzlement, bribery, misappropriation of property, misappropriation of funds, or disruption of the socialist market economic order, and not having passed five years since the expiration of the execution period; or having been deprived of political rights due to a crime, and not having passed five years since the expiration of the execution period. In the case of being declared on probation, not having passed two years since the expiration of the probation period;

(iii) having served as a director, factory director or manager of a company or enterprise undergoing bankruptcy liquidation and being personally responsible for the bankruptcy of such company or enterprise, and not having passed three years since the completion of the bankruptcy liquidation of such company or enterprise;

(iv) having served as the legal representative of a company or enterprise whose business license has been revoked due to violations of laws or has been ordered to be closed down, and being personally responsible for it, and not having passed three years since the date of revocation of the business license of such company or enterprise;

(v) having a relatively large amount of personal debt that is due but not repaid and being listed as a person subject to enforcement for dishonesty by the people's court;

(vi) having been imposed a penalty of being prohibited from entering the securities market by the CSRC or the Hong Kong Stock Exchange, and the penalty period not having expired;

(vii) other circumstances as provided for by laws, administrative regulations, departmental rules and regulations, the securities regulatory rules of the place where the Company's shares are listed, or relevant regulatory authorities.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, and the provisions of relevant state departments.

Regarding A-share periodic report disclosure, the Company shall submit and disclose its annual report to the CSRC and the Shanghai Stock Exchange within four months after the end of each fiscal year, submit and disclose its semi-annual report to the local offices of the CSRC and the Shanghai Stock Exchange within two months after the end of the first six months of each fiscal year, and submit and disclose its quarterly reports to the local offices of the CSRC and the Shanghai Stock Exchange within one month after the end of the first three months and the first nine months of each fiscal year. Regarding H-share periodic report disclosure, the periodic reports for the Company's H-shares include the annual report and the interim report. The company shall disclose a preliminary announcement of its annual results within three months after the end of each fiscal year, prepare and disclose the annual report within four months after the end of each fiscal year and at least 21 days before the annual Shareholders' Meeting, disclose a preliminary announcement of its interim results within two months after the end of the first six months of each fiscal year, and prepare and disclose the interim report within three months after the end of the first six months of each fiscal year.

The above-mentioned financial and accounting reports, annual reports, annual results, interim reports, and interim results shall be prepared and/or submitted to shareholders in accordance with relevant laws, administrative regulations, departmental rules, and the requirements of the securities regulatory authorities and stock exchanges of the place where the Company's shares are listed.

The Company shall not maintain any accounting books other than the statutory ones. The Company's assets shall not be deposited in accounts opened in the name of any individual.

When distributing the after-tax profits of the current year, the Company shall allocate 10% of the profits to the statutory reserve fund. If the cumulative amount of the Company's statutory reserve fund reaches 50% or more of the Company's registered capital, it may cease to make such allocations. If the Company's statutory reserve fund is insufficient to cover the losses of previous years, the current year's profits shall be used to cover the losses before making allocations to the statutory reserve fund as stipulated in the previous paragraph. After allocating the statutory reserve fund from the after-tax profits, the Company may, upon resolution of the Shareholders' Meeting, allocate any discretionary reserve fund from the after-tax profits. The remaining after-tax profits after covering losses and allocating the statutory reserve fund shall be distributed in proportion to the shares held by the shareholders, except as otherwise provided in the Company's Articles of Association. If the Shareholders' Meeting distributes profits to shareholders before covering the Company's losses and allocating the statutory reserve fund in violation of the previous paragraph, the shareholders must return the profits distributed in violation of the regulations to the Company.

The Company's shares held by the Company itself shall not participate in the profit distribution.

The Company must appoint one or more receiving agents in Hong Kong for its H-share shareholders. The receiving agents shall collect and hold the dividends and other amounts payable by the Company in respect of the H-shares on behalf of the relevant H-share shareholders until payment is made to such H-share shareholders. The receiving agents appointed by the Company shall meet the requirements of laws, regulations, and the securities regulatory rules of the place where the Company's shares are listed.

The Company's reserve funds shall be used to cover the Company's losses, expand production and operation, or be converted into an increase in the Company's capital. When using reserve funds to cover the Company's losses, the discretionary reserve fund and the statutory reserve fund shall be used first; if they are still insufficient, the capital reserve fund may be used as prescribed. When the statutory reserve fund is converted into capital, the remaining amount of such reserve fund shall be no less than 25% of the Company's registered capital before the conversion.

After the Shareholders' Meeting of the Company passes a resolution on the profit distribution plan, or after the Company's Board of Directors formulates a specific plan based on the conditions and upper limits for the next-year interim dividend approved by the annual Shareholders' Meeting, the Company's Board of Directors must complete the distribution of dividends (or shares) within two months after the Shareholders' Meeting.

If, due to the requirements of laws, regulations, and the securities regulatory rules of the place where the Company's shares are listed, the specific plan cannot be implemented within two months, the implementation date of the specific plan may be adjusted accordingly in accordance with such regulations and the actual situation.

The Company shall implement an internal audit system, assign full-time audit personnel, and conduct internal audit supervision of the Company's financial revenues and expenditures and economic activities. The Company's internal audit system and the responsibilities of the audit personnel shall be implemented after being approved by the Board of Directors. The person in charge of the audit shall be responsible to and report work to the audit committee of the Board of Directors.

The Company shall engage an accounting firm that complies with the provisions of the Securities Law, the Hong Kong Listing Rules, and the securities regulatory rules of the place where the company's shares are listed to conduct business such as auditing of accounting statements, verification of net assets, and other related consulting services. The term of engagement is one year, commencing from the time when it is approved by the Company's annual Shareholders' Meeting and ending at the conclusion of the next annual Shareholders' Meeting, and it may be re-engaged.

The engagement, dismissal, or non-renewal of the accounting firm by the Company shall be decided by the Shareholders' Meeting. The Board of Directors shall not appoint an accounting firm before the Shareholders' Meeting makes a decision.

The Company shall ensure that it provides the engaged accounting firm with true and complete accounting vouchers, accounting books, financial accounting reports, and other accounting materials, and shall not refuse to provide, conceal, or make false reports of such materials.

The remuneration of the accounting firm or the method for determining the remuneration shall be decided by the Shareholders' Meeting.

When the Company dismisses or decides not to renew the engagement of an accounting firm, it shall notify the accounting firm 10 days in advance. When the Company's Shareholders' Meeting votes on the dismissal of the accounting firm, the accounting firm shall be allowed to attend the Shareholders' Meeting and present its opinions to the shareholders at the meeting.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

(i) the expiration of the business term stipulated in the Company's Articles of Association or the occurrence of other dissolution events specified in the Company's Articles of Association;

(ii) dissolution upon resolution of the Shareholders' Meeting;

(iii) dissolution required due to the merger or division of the Company;

(iv) being legally revoked of its business license, ordered to be closed down or being cancelled;

(v) where there are serious difficulties in the Company's operation and management, and the continued existence of the Company will cause significant losses to the interests of the shareholders, and the issue cannot be resolved through other channels, shareholders holding more than 10% of the total voting rights of all shareholders of the Company may request the people's court at the Company's registered location to dissolve the Company.

When the Company encounters the dissolution events specified in the preceding paragraph, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

For dissolution due to the circumstances specified in items (i), (ii), (iv) and (v) above, a liquidation team shall be established within 15 days to commence liquidation. The liquidation team shall be composed of directors or other persons determined by the shareholders' meeting. Where a liquidation team fails to be established within the time limit to conduct liquidation, creditors may apply to the people's court to appoint relevant persons to form a liquidation team to carry out the liquidation.

The liquidation team shall notify the creditors within 10 days as of the date of its establishment, and make an announcement within 60 days in the Company's designated newspapers recognised by the CSRC and the stock exchanges where the Company's shares are listed or on the National Enterprise Credit Information Publicity System and the HKEX News website (www.hkexnews.hk). Creditors shall, within 30 days as of the date of receipt of the notice, or within 45 days as of the date of the announcement in case of not receiving the notice, declare their claims to the liquidation team. When declaring their claims, creditors shall state the relevant matters of their claims and provide supporting materials. The liquidation team shall register the claims. During the period when creditors are declaring their claims, the liquidation team shall not make any payment to the creditors. Where there are other provisions in the securities regulatory rules of the place where the Company's shares are listed, the relevant provisions shall also be complied with simultaneously.

After the Company's property is used to pay off the liquidation expenses, employees' salaries, social insurance premiums and statutory compensations respectively, pay off the outstanding taxes and settle the Company's debts, the remaining property of the Company shall be distributed among shareholders in proportion to the shares they hold. During the liquidation period, the Company shall remain in existence, but shall not conduct any business activities unrelated to the liquidation. The Company's property shall not be distributed to shareholders before it is settled in accordance with the provisions of the preceding paragraph.

After the liquidation team has cleared up the Company's property, prepared the balance sheet and the list of properties, if it deems that the Company's property is insufficient to pay off its debts, it shall, in accordance with the law, apply to the people's court at the Company's registered location for declaring the Company bankrupt. After the Company is declared bankrupt by the people's court, the liquidation team shall transfer the liquidation matters to the bankruptcy administrator appointed by the people's court.

Where the Company is declared bankrupt in accordance with the law, the bankruptcy liquidation shall be carried out in accordance with the relevant laws on enterprise bankruptcy.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Company's Articles of Association in case of any of the following circumstances:

(i) after the PRC Company Law or relevant laws, administrative regulations, or the securities regulatory rules of the place where the Company's shares are listed are amended, the matters specified in the Company's Articles of Association conflict with the provisions of the amended laws, administrative regulations, or the securities regulatory rules of the place where the Company's shares are listed;

(ii) the Company's situation has changed and is inconsistent with the matters recorded in the Company's Articles of Association;

(iii) the Shareholders' Meeting decides to amend the Company's Articles of Association.

Where the matters of amending the Company's Articles of Association passed by the resolution of the Shareholders' Meeting involve the Company's registration matters, the change registration shall be handled in accordance with the law. If the matters of amending the Company's Articles of Association fall within the information that needs to be disclosed as required by laws, administrative regulations, and the securities regulatory rules of the place where the Company's shares are listed, an announcement shall be made in accordance with the relevant provisions.

FURTHER INFORMATION ABOUT OUR GROUP

Incorporation

Our Company, then known as Xinqiao Network Equipment (Shanghai) Co., Ltd.* (新嶠網絡設備(上海)有限公司), was incorporated on March 14, 2006 under the laws of the PRC, which later changed its name to CIG Shanghai Company Limited* (上海劍橋科技有限公司). Our Company was converted to a joint stock limited company in July 2012 and completed the Listing of A Shares on the Shanghai Stock Exchange (stock code: 603083) in November 2017.

Our registered office is located at Room 501, Building 8. No. 2388 Chenhang Road, Minhang District, Shanghai, the PRC. We were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on March 27, 2025, and our principal place of business in Hong Kong is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, the PRC. Ms. So Lai Shan, one of our joint company secretaries, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Summary of Articles of Association" in Appendix V to this Document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Regulatory Overview".

Changes in Share Capital of Our Company

Save as disclosed below and in "History, Development and Corporate Structure — Major Shareholding Changes in Our Company", there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document:

Pursuant to the 2022 Restricted Share Incentive Scheme, our Company issued 5,991,260 A Shares to eligible grantees who were granted with restricted Shares. Pursuant to the 2021 share option incentive scheme adopted by the then Shareholders on February 25, 2021 (the "**2021 Share Option Incentive Scheme**"), our Company issued an aggregate of 6,650,115 A Shares to eligible grantees who exercised options. Upon completion of the above issuance of A Shares in April 2023, the registered share capital of our Company increased to RMB268,222,941 and comprised 268,222,941 A Shares.

In August 2023, our Company repurchased and canceled in aggregate 118,000 A Shares under the 2021 restricted share incentive scheme adopted by the then Shareholders on November 26, 2021 (the "**2021 Restricted Share Incentive Scheme**"), which were granted to eligible grantees but failed to satisfy the conditions for unlocking of restricted Shares. Upon the repurchase and cancellation in August 2023, the registered share capital of our Company amounted to RMB268,104,941 and comprised 268,104,941 A Shares.

In June 2024, our Company repurchased and canceled 63,100 A Shares under the 2022 Restricted Share Incentive Scheme, which were granted to eligible grantees but failed to satisfy the conditions for unlocking of restricted Shares or the eligible grantees no longer served as our employees. Upon the repurchase and cancellation in June 2024, the registered share capital of our Company amounted to RMB268,041,841 and comprised 268,041,841 A Shares.

As of the Latest Practicable Date, the total share capital of our Company was RMB268,041,841 comprising 268,041,841 A Shares of nominal value of RMB1.00 each.

Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries is set out in the Accountants' Report in Appendix I. Except for the issued and paid up capital of Cambridge Industries USA Inc. increased to USD42,000,010 in 2024 as disclosed in Notes 1 and 19 of the Accountants' Report, there had been no alterations in share capital of our subsidiaries within the two years preceding the date of this Document.

Resolutions Passed by Our Shareholders' General Meeting in Relation to the [REDACTED]

Pursuant to the Shareholders' general meeting held on April 28, 2025, the following resolutions, among other things, were duly passed:

(a) the [**REDACTED**] by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being [**REDACTED**] on the Hong Kong Stock Exchange;

(b) the number of H Shares to be [**REDACTED**] before the exercise of the [**REDACTED**] shall not exceed [**REDACTED**]% of the enlarged share capital of our Company upon completion of the [**REDACTED**] and granting the [**REDACTED**] the [**REDACTED**] of no more than [**REDACTED**]% of the above number of H Shares to be [**REDACTED**];

(c) subject to completion of the [**REDACTED**], the conditional adoption of the Articles of Association which shall become effective on the [**REDACTED**], and authorization to the Board and its authorized person to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and

(d) authorization of the Board and its authorized person to handle matters relating to, among other things, the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of the H Shares.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Document that are or may be material:

(a) [**REDACTED**].

Intellectual Property Rights

As of the Latest Practicable Date, our Group has registered the following intellectual property rights which were material to our Group's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registration number	Class	Owner	Place of registration	Expiry date
1. . . .	CIG	305023791	9, 42	Our Company	Hong Kong	August 12, 2029
2. . . .	CIG	43017421	9	Our Company	PRC	August 20, 2031
3. . . .	CIG	34231470	9	Our Company	PRC	July 27, 2030
4. . . .	CIGTech	28401431	9, 16, 29, 39, 43	Our Company	PRC	April 6, 2029
5. . . .	CIG	23591862	9	Our Company	PRC	April 20, 2029

Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be or may be material to our business:

No.	Patent	Patent number	Category	Owner	Place of registration	Application date
1 . . .	Method, system and electronic device for power detection of routing equipment (路由設備功率檢測方法、系統及電子設備)	202311158055.0	Invention patent	Our Company, CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)	PRC	September 8, 2023
2 . . .	Method, device and computer-readable medium for locating interfering signals in wireless products (無線產品的干擾信號的定位方法、設備及計算機可讀介質)	202311557390.8	Invention patent	Our Company, CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)	PRC	November 21, 2023
3 . . .	Voice test bridge device and voice test system (語音測試電橋裝置及語音測試系統)	202311058670.4	Invention patent	Our Company, CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)	PRC	August 22, 2023
4 . . .	Control method, device and product for anti-interference detector (抗干擾檢測儀的控制方法、設備及產品)	202311780167.X	Invention patent	Our Company, CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)	PRC	December 22, 2023
5 . . .	Snap-fit housing (卡扣式殼體)	201810332948.5	Invention patent	Our Company	PRC	April 13, 2018
6 . . .	A rapid full-temperature optical module testing method (一種快速全溫光模塊測試方法)	202210073178.3	Invention patent	Our Company	PRC	January 21, 2022
7 . . .	An external socket protection device (一種外接插口保護裝置)	202111027257.2	Invention patent	Our Company	PRC	September 2, 2021
8 . . .	Monitoring and control system and method for output power of RF power amplifiers (射頻功率放大器的輸出功率的監測控制系統及方法)	201811517771.2	Invention patent	Our Company	PRC	December 12, 2018

No.	Patent	Patent number	Category	Owner	Place of registration	Application date
9 . . .	System, method, apparatus, medium and device for chip testing (芯片測試系統、方法、裝置、介質及設備)	202110191397.7	Invention patent	Our Company	PRC	February 19, 2021
10 . .	A testing method and circuit based on 400G optical module (一種基於400G光模塊的測試方法及測試電路)	202110505103.3	Invention patent	Our Company	PRC	May 10, 2021
11 . .	A testing system and method based on optical module (一種基於光模塊的測試系統及方法)	202110021894.2	Invention patent	Our Company	PRC	January 8, 2021
12 . .	A testing system, method, computer-readable storage medium and electronic device based on transmission devices (一種基於傳輸裝置的測試系統、方法、計算機可讀存儲介質及電子設備)	202110021902.3	Invention patent	Our Company	PRC	January 8, 2021
13 . .	Method and system for testing data throughput of WiFi6 wireless router (WiFi6無線路由器的數據吞吐量的測試方法及系統)	201910446384.2	Invention patent	Our Company	PRC	May 27, 2019
14 . .	Wireless device testing system, method, apparatus, medium, and device (無線設備測試系統、方法、裝置、介質及設備)	202110195700.0	Invention patent	Our Company	PRC	February 19, 2021
15 . .	Dual-band PCB spiral antenna (雙頻PCB螺旋天線)	202010177596.8	Invention patent	Our Company	PRC	March 13, 2020
16 . .	Surge Counter (浪湧計數器)	202010043284.8	Invention patent	Our Company	PRC	January 15, 2020
17 . .	Smart loop maintenance device (智能環路保持設備)	202010805550.6	Invention patent	Our Company	PRC	August 12, 2020
18 . .	Control method and device for vehicle speed indicator light (車速指示燈的控制方法及裝置)	201811288965.X	Invention patent	Our Company	PRC	October 31, 2018
19 . .	PCB coupler (PCB耦合器)	201910290611.7	Invention patent	Our Company	PRC	April 11, 2019

No.	Patent	Patent number	Category	Owner	Place of registration	Application date
20 . .	Method and system for testing traffic and port data of unmanaged switches (用於無管理功能交換機的流量及端口數據測試方法及系統)	202010043277.8	Invention patent	Our Company	PRC	January 15, 2020
21 . .	Detection circuit and power adapter for USB Type-C device type (USB Type-C設備類型的檢測電路及電源適配器)	201910251856.9	Invention patent	Our Company	PRC	March 29, 2019
22 . .	POE device (POE設備)	201910295646.X	Invention patent	Our Company	PRC	April 12, 2019
23 . .	Performance evaluation method for total omnidirectional sensitivity (總全向靈敏度性能評估方法)	201810332937.7	Invention patent	Our Company	PRC	April 13, 2018
24 . .	Calibration method and system for BOSA components (BOSA組件的校准方法及系統)	201810771268.3	Invention patent	Our Company	PRC	July 13, 2018
25 . .	Anti-interference testing method and system for wireless communication module (無線通信模塊的抗干擾測試方法及系統)	201710018846.1	Invention patent	Our Company	PRC	January 10, 2017
26 . .	Optical path control device and ONT testing system (光路控制設備及ONT測試系統)	201710312318.7	Invention patent	Our Company	PRC	May 5, 2017
27 . .	Mounting assembly for communication terminal equipment (用於通訊終端設備的安裝組件)	201510041983.8	Invention patent	Our Company	PRC	January 27, 2015
28 . .	Network cable simulator (網線模擬器)	201610792301.1	Invention patent	Our Company	PRC	August 31, 2016
29 . .	Ceiling mounting bracket for communication terminal, communication terminal and communication terminal installation system (通訊終端的吸頂安裝支架、通訊終端及通訊終端安裝系統)	201610352943.X	Invention patent	Our Company	PRC	May 24, 2016
30 . .	Coprocessor (協處理器)	201610143284.9	Invention patent	Our Company	PRC	March 14, 2016

No.	Patent	Patent number	Category	Owner	Place of registration	Application date
31 . .	Wireless positioning device (無線定位裝置)	201610143269.4	Invention patent	Our Company	PRC	March 14, 2016
32 . .	Method for establishing communication between GPON OLT and GPON ONU (GPON OLT與GPON ONU之間的通信建立方法)	201010252320.8	Invention patent	Our Company	PRC	August 13, 2010
33 . .	A general RF module and system for testing Wi-Fi performance and networking (一種射頻通用模組及WIFI性能及組網測試系統)	202411698348.2	Invention patent	CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)	PRC	November 26, 2024
34 . .	A multi-port Ethernet power supply device (一種多路以太網供電裝置)	202411441780.3	Invention patent	CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)	PRC	October 16, 2024

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright name	Registration number	Registered owner	Place of registration
1. . .	CIG Smart Factory Big Data Dashboard Software (劍橋科技智能工廠大數據看板軟件)	2024SR0346733	Our Company	PRC
2. . .	CIG Label Laser Software (劍橋科技標籤鐳射軟件)	2022SR0559760	Our Company	PRC
3. . .	CIG Web BigData Analysis System	2022SR0551792	Our Company	PRC
4. . .	CIG Trace SMT Software	2022SR0551793	Our Company	PRC
5. . .	CIG Electronic Shelf Material Management System (劍橋科技電子貨架的物料管理系統)	2022SR0551757	Our Company	PRC
6. . .	CIG Optical Module TOSA UID Visual Recognition Inspection Software (劍橋光模塊TosaUID視覺識別檢測軟件)	2021SR0184892	Our Company	PRC

No.	Copyright name	Registration number	Registered owner	Place of registration
7. . .	CIG Optical Module UID Visual Recognition Inspection Software (劍橋光模塊UID視覺識別檢測軟件)	2020SR0089879	Our Company	PRC
8. . .	CIG Log Analysis Web System	2019SR1126914	Our Company	PRC
9. . .	CIG Real-Time Production Capacity Rolling Display Dashboard Software (劍橋實時產能滾動顯示看板軟件)	2019SR1061489	Our Company	PRC
10. .	CIG WebMES System	2019SR1061140	Our Company	PRC

Domain Names

As of the Latest Practicable Date, we have registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Expiry date
1. . .	ci-g.com	Our Company	April 11, 2033
2. . .	cambridgeig.com	Our Company	May 7, 2033
3. . .	cigtech.com	Our Company	April 23, 2033
4. . .	cigsys.com	Our Company	July 30, 2033
5. . .	actiontec.com.cn	Actiontec Electronics (Shanghai) Company Limited* (邁智微電子(上海)有限公司)	March 16, 2028

Save as disclosed above, as of the Latest Practicable Date, there were no other intellectual property rights which were material to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

Service Contracts

Each of our Directors and Supervisors [has] entered into a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; and (b) subject to termination in accordance with their respective term.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

Remuneration of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Senior Management — Remuneration" in this Document, none of the Directors or Supervisors received other remuneration from our Company for each of the years ended December 31, 2022, 2023 and 2024.

Disclosure of Interests

(a) Interests of our Directors, Supervisors and chief executive

Save as disclosed below, immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised, the options granted under the 2024 Share Option Incentive Scheme are not exercised and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]), so far as our Directors are aware, none of our Directors, Supervisors or chief executive have any interests and/or short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Hong Kong Listing Rules:

Name of Director, Supervisor or chief executive	Position	Nature of interest[1]	Number and class of Shares	Shareholding in the total issued Shares immediately prior to the [REDACTED]	Shareholding in the total issued Shares immediately after the [REDACTED]
Mr. Gerald G Wong[2] . .	Chairman, executive Director and general manager (chief executive officer)	(i) Interest in controlled corporation	36,556,453 A Shares	13.64%	[**REDACTED**]%
		(ii) Interest held jointly with other persons	7,451,076 A Shares	2.78%	[**REDACTED**]%

Name of Director, Supervisor or chief executive	Position	Nature of interest[1]	Number and class of Shares	Shareholding in the total issued Shares immediately prior to the [REDACTED]	Shareholding in the total issued Shares immediately after the [REDACTED]
Mr. Zhao Haibo[3]	Executive Director, deputy general manager, chief technology officer	(i) Interest in controlled corporation	7,451,076 A Shares	2.78%	**[REDACTED]**%
		(ii) Interest held jointly with other persons	36,556,453 A Shares	13.64%	**[REDACTED]**%
Mr. Zhao Hongwei[4] . .	Executive Director, chief operating officer	Beneficial owner	94,100 A Shares	0.04%	**[REDACTED]**%
Mr. Zhang Jie[5]	Executive Director, manager of broadband products division	(i) Beneficial owner	147,000 A Shares	0.05%	**[REDACTED]**%
		(ii) Interest of spouse	3,700 A Shares	0.00%	**[REDACTED]**%

Notes:

(1) All interests stated are long positions.

(2) As of the Latest Practicable Date, (i) Mr. Gerald G Wong was interested in 36,556,453 A Shares held by CIG Cayman, a company wholly owned by Mr. Gerald G Wong; (ii) Mr. Gerald G Wong was deemed to be interested in 7,451,076 A Shares held by Mr. Zhao Haibo (through Kangling Technology) pursuant to the Concert Party Agreement.

(3) As of the Latest Practicable Date, (i) Mr. Zhao Haibo was interested in 7,451,076 A Shares held by Kangling Technology, a limited partnership whose executive partner is Mr. Zhao Haibo; (ii) Mr. Zhao Haibo was deemed to be interested in 36,556,453 A Shares held by Mr. Gerald G Wong (through CIG Cayman) pursuant to the Concert Party Agreement.

(4) As of the Latest Practicable Date, Mr. Zhao Hongwei held 19,100 A Shares, and was interested in 75,000 outstanding options granted under the 2024 Share Option Incentive Scheme.

(5) As of the Latest Practicable Date, Mr. Zhang Jie held 72,000 A Shares, and was interested in 75,000 outstanding options granted under the 2024 Share Option Incentive Scheme; Mr. Zhang Jie's spouse, Ms. Wang Meihua (王美華女士), held 3,700 A Shares as of the Latest Practicable Date.

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

(b) Interests of the Substantial Shareholders

Save as disclosed in "Substantial Shareholders", "— Further Information about Our Directors, Supervisors and Substantial Shareholders — Disclosure of Interests — (a) Interests of our Directors, Supervisors and chief executive" in this section and below, immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised, the options granted under the 2024 Share Option Incentive Scheme are not exercised and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]), our Directors are not aware of any person (other than a Director, Supervisor or chief executive of our Company) who will have an interest or a short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Our Subsidiaries	Parties with 10% or more equity interest	Shareholding
CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司)[1]	Jiashan Zhongxin Industrial Development Investment Company Limited* (嘉善縣中新產業發展投資有限公司)	33.33%

Note:

(1) As of the Latest Practicable Date, our Company and Jiashan Zhongxin Industrial Development Investment Company Limited* (嘉善縣中新產業發展投資有限公司) held approximately 66.67% and 33.33% equity interest in CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司), respectively. Jiashan Finance Bureau* (嘉善縣財政局), through its wholly-owned subsidiary Jiashan Shancheng Industrial Company Limited* (嘉善縣善成實業有限公司), held 100% equity interest in Jiashan Zhongxin Industrial Development Investment Company Limited* (嘉善縣中新產業發展投資有限公司).

Disclaimers

Save as disclosed in this Document:

(a) none of our Directors, Supervisors or our chief executive has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [**REDACTED**] on the Hong Kong Stock Exchange;

(b) none of our Directors or Supervisors is aware of any person (other than a Director, Supervisor or chief executive of our Company) who will have an interest or a short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group;

(c) none of our Directors or Supervisors, their respective close associates (as defined under the Hong Kong Listing Rules) or Shareholders who own more than 5% of the number of issued Shares of our Company have any interests in the top five customers or suppliers of our Group; and

(d) none of our Directors, Supervisors or any of the parties listed in "Qualifications of Experts" in this section is: (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this Document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or (ii) materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business.

OUR SHARE INCENTIVE SCHEMES

(a) 2022 Restricted Share Incentive Scheme

We adopted the 2022 Restricted Share Incentive Scheme by the then Shareholders on November 30, 2022, which was still in effect as of the Latest Practicable Date. The terms of the 2022 Restricted Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules as they do not involve any grant of restricted Shares by our Company after the [**REDACTED**]. The major terms are summarized as below:

Purpose

The purpose of the 2022 Restricted Share Incentive Scheme is to improve our 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, 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.

Administration

The 2022 Restricted Share Incentive Scheme is subject to the approval of the Shareholders' general meeting, administration of the Board and the supervision of the Supervisory Committee and independent Directors of our Company.

Participants

The participants of the 2022 Restricted Share Incentive Scheme include the directors, senior management, core management and technical/business personnel of our Group. The scope of participants excludes independent Directors, Supervisors and Shareholders or actual controller who individually or collectively hold 5% or more of the Shares of our Company and their spouse, parents and children.

Source and maximum number of Shares

The Shares underlying the 2022 Restricted Share Incentive Scheme shall be A Shares issued by our Company to the eligible grantees. The maximum number of restricted Shares that can be granted under the 2022 Restricted Share Incentive Scheme is 6,506,000 A Shares, consisting of 6,006,000 A Shares for initial grant and 500,000 A Shares as reserved portion.

Validity period

The validity period of the 2022 Restricted Share Incentive Scheme shall be from the date of grant of the restricted Shares up to the date when all restricted Shares granted to the eligible grantees are no longer subject to any lock-up or have been repurchased and cancelled, provided that the validity period shall not exceed 36 months.

Date of grant

After the 2022 Restricted Share Incentive Scheme was approved at the Shareholders' general meeting, the Board shall determine and perform the initial grant to eligible grantees within 60 days (if there are conditions for grant, it will be counted from the fulfillment of such conditions) and complete the registration, announcement and other relevant procedures. The grant date of the reserved portion of the restricted Shares shall be determined by the Board within 12 months from the date of approval by the Shareholders' general meeting.

Grant conditions

The restricted Shares under the 2022 Restricted Share Incentive Scheme will only be granted to eligible grantees if the following conditions are simultaneously fulfilled:

(a) With respect to our Company, none of the following circumstances having occurred: (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to our Company's accountant's report for the most recent fiscal year; (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control report contained in the accountant's report for the most recent fiscal year; (3) our Company has failed to distribute dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing; (4) applicable laws and regulations prohibit the implementation of any share incentive scheme; or (5) any other circumstances determined by the CSRC.

(b) With respect to an eligible grantee, none of the following circumstances having occurred: (1) the grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months; (2) the grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months; (3) the grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office within the last 12 months; (4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law; (5) the grantee is prohibited from participating in any incentive plan of listed companies according to applicable laws and regulations; or (6) any other circumstances determined by the CSRC.

Grant price

The eligible grantees shall pay the grant price upon fulfilment of all the conditions of the restricted Shares to purchase the A Shares from our Company. The grant price of each restricted Share shall not be lower than the nominal value of each A Share and, in principle, shall not be lower than the higher of (1) 50% of the trading price of the A Shares on the trading date before the announcement of the draft scheme; and (2) 50% of the average trading price of the A Shares during the 120 trading dates before the announcement of the draft scheme.

The number of restricted Shares granted and/or the grant price will be adjusted upon the occurrence of certain events, including payment of dividends, increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares and issue of new shares.

Lock-up period

The lock-up period for restricted Shares commences from date of completion of the grant of restricted A Shares to eligible grantees and the interval between the date of grant and the date of unlocking of the restricted A Shares shall not be less than twelve months.

The arrangement for the unlocking of the restricted Shares are as below:

Unlocking period	Unlocking schedule	Unlocking 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%

The restricted A Shares will only be unlocked 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 three years ended December 31, 2024, which are as below:

Unlocking period	Performance targets
First period	Net profit in aggregate for the two years of 2022 and 2023 is not less than RMB230 million
Second period	Net profit in aggregate for the three years of 2022, 2023 and 2024 is not less than RMB380 million

In the event that the grant conditions do not be fulfilled or our Company's performance does not meet the performance targets, the restricted Shares which have been granted but not yet unlocked shall be repurchased and canceled by our Company.

Blackout period for our Directors and senior management

If the eligible grantees are our Directors and senior management, the A Shares to be transferred in each year during their tenure of office shall not exceed 25% of the total A Shares he or she holds; and no A Share held by such Directors or senior management can be transferred within six months after termination of his or her employment. If the eligible grantees are our Directors or a senior management who terminate the employment before expiry of the term, during the period of the original term of employment and the following six months, he or she shall comply with the above blackout provisions.

Dividend and voting rights

During the lock-up period, the restricted A Shares granted to eligible grantees shall not be transferred, pledged or settled for debt repayment. Upon registration by the registrar, the eligible grantees of restricted A Shares will be entitled to exercise the right of Shareholders, including but not limited to the right to receive dividends and voting rights.

On December 1, 2022, our Company initially granted 6,006,000 A Shares to 516 eligible grantees at the grant price of RMB6.19 per A Share. Due to termination of employment or voluntary abandonment of the restricted A Shares by certain eligible grantees, 5,991,260 A Shares were actually registered on behalf of 484 eligible grantees on February 1, 2023. As of the Latest Practicable Date, (i) no further A Shares under the 2022 Restricted Share Incentive Scheme can be granted; and (ii) all of the A Shares granted under the 2022 Restricted Share Incentive Scheme were unlocked, among which, 63,100 A Shares were repurchased and canceled by our Company in June 2024 (during the first unlocking period) and 22,000 A Shares were yet to be repurchased and canceled by our Company during the second unlocking period.

(b) 2024 Share Option Incentive Scheme

We adopted the 2024 Share Option Incentive Scheme by the then Shareholders on August 26, 2024, which was still in effect as of the Latest Practicable Date. The terms of the 2024 Share Option Incentive Scheme are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules as they do not involve any grant of options by our Company after the [**REDACTED**]. The major terms are summarized as below:

Purpose

The purpose of the 2024 Share Option Incentive Scheme is to improve our 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, 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.

Administration

The 2024 Share Option Incentive Scheme is subject to the approval of the Shareholders' general meeting, administration of the Board and the supervision of the Supervisory Committee of our Company.

Participants

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

Source and maximum number of Shares

The Shares underlying the 2024 Share Option 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 Share Option 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 Share Option 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.

Date of grant

After the 2024 Share Option Incentive Scheme was approved by the Shareholders' general meeting, the Board shall determine and perform the grant to eligible grantees within 60 days (if there are conditions for grant, it will be counted from the fulfillment of such conditions) and complete the announcement, registration and other relevant procedures.

Grant conditions

The options under the 2024 Share Option Incentive Scheme will only be granted to eligible grantees if the following conditions are simultaneously fulfilled:

(a) With respect to our Company, none of the following circumstances having occurred: (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to our Company's accountant's report for the most recent fiscal year; (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control report contained in accountant's report for the most recent fiscal year; (3) our Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing; (4) applicable laws and regulations prohibit the implementation of any share incentive scheme; or (5) any other circumstances determined by the CSRC.

(b) With respect to an eligible grantee, none of the following circumstances having occurred: (1) the grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months; (2) the grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months; (3) the grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office within the last 12 months; (4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law; (5) the grantee is prohibited from participating in any incentive plan of listed companies according to applicable laws and regulations; or (6) any other circumstances determined by the CSRC.

No grant consideration is paid/payable for the options granted under the 2024 Share Option Incentive Scheme.

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 are 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 ending December 31, 2025, 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 do not be 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.

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.

Outstanding options

On August 26, 2024, our Company granted 15,601,000 options to 780 eligible grantees with the exercise price of RMB29.48 per A Share. No grant consideration was paid/payable for the options granted to each of the eligible grantees. Due to termination of employment by one eligible grantee, 15,593,000 options were actually registered on behalf of 779 eligible grantees on September 10, 2024.

As of the Latest Practicable Date, (i) no further option under the 2024 Share Option Incentive Scheme can be granted; (ii) due to termination of employment by eleven eligible grantees, 15,389,000 options were held by 768 eligible grantees, representing approximately 5.74% of the total issued Shares of our Company as of the Latest Practicable Date, and all of such options remained outstanding and have not been exercised. Assuming full exercise of all outstanding options granted under the 2024 Share Option Incentive Scheme, the shareholding of our Shareholders immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) will be diluted by a maximum of approximately [**REDACTED**]%. The maximum dilution effect on our earnings per Share would be approximately [**REDACTED**]%.

The following table sets forth the of outstanding options granted to the eligible grantees under the 2024 Share Option Incentive Scheme as of the Latest Practicable Date:

Name	Position	Address	Grant date	Exercise price[3]	Number of A Shares underlying the outstanding options as of the Latest Practicable Date	Exercise period for outstanding options	Shareholding of A Shares underlying the outstanding options in the total issued Shares immediately after the [REDACTED][1]
Connected persons:							
Mr. Zhang Jie	Executive Director	Room 401, No. 2, Lane 333, Dongchuan Road, Minhang District, Shanghai, PRC	August 26, 2024	RMB29.48	75,000	50% during September 10, 2025 to September 9, 2026;	**[REDACTED]**%
Mr. Zhao Hongwei	Executive Director	Room 701, No. 9, Lane 818, Minsheng Road, Pudong New Area, Shanghai, PRC			75,000	50% during September 10, 2026 to September 9, 2027	**[REDACTED]**%
Mr. Wang Zhiming (王志明先生)	Chief executive and director of our significant subsidiaries	Room 601, No. 7, Lane 241, Xinling Road, Minhang District, Shanghai, PRC			65,000		**[REDACTED]**%
Mr. Zhang Deyong (張得勇先生)	Director of our significant subsidiary	Room 301, No.1, Lane 1700, Qishan Road, Pudong New Area, Shanghai PRC			70,000		**[REDACTED]**%
Ms. Luan Yanjie (欒妍潔女士)	Supervisor of our significant subsidiary	Room 510, No. 16, Railway New Village, Pushan Road, Jing'an District, Shanghai, PRC			52,000		**[REDACTED]**%
Subtotal:	–	–	–	–	**337,000**	–	[REDACTED]%

Name	Position	Address	Grant date	Exercise price[3]	Number of A Shares underlying the outstanding options as of the Latest Practicable Date	Exercise period for outstanding options	Shareholding of A Shares underlying the outstanding options in the total issued Shares immediately after the [REDACTED][1]
Other eligible grantees (excluding our connected persons):							
Mr. Cheng Gucheng. . .	Deputy general manager and financial officer of our Company	Room 501, No. 2, Lane 68, Huachang Road, Hongkou District, Shanghai, PRC	August 26, 2024	RMB29.48	75,000	50% during September 10, 2025 to September 9, 2026;	**[REDACTED]**%
762 other eligible grantees[2] . .	Employees	–			14,977,000	50% during September 10, 2026 to September 9, 2027	**[REDACTED]**%
Subtotal:	**–**	**–**	**–**	**–**	**15,052,000**	**–**	**[REDACTED]%**
Total:	**–**	**–**	**–**	**–**	**15,389,000**	**–**	**[REDACTED]%**

Notes:

(1) The calculation is based on the assumption that the [**REDACTED**] is not exercised, the options granted under the 2024 Share Option Incentive Scheme are not exercised and that no other changes are made to the issued share capital of the Company between the Latest Practicable Date and [**REDACTED**].

(2) Among these 762 other eligible grantees, (i) 570 eligible grantees were granted with options representing A Shares to be issued thereunder ranging from 1,000 A Shares to 25,000 A Shares; (ii) 158 eligible grantees were granted with options representing A Shares to be issued thereunder ranging from 25,001 A Shares to 50,000 A Shares and (iii) 34 eligible grantees were granted with options representing A Shares to be issued thereunder ranging from 50,001 A Shares to 75,000 A Shares. All of these options were outstanding as of the Latest Practicable Date.

(3) The number of A Shares underlying the outstanding 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. Such adjustment shall be subject to our Board's review and approval.

Save as disclosed above, no options were granted to any Directors, Supervisors, senior management and/or other connected persons of our Company under the 2024 Share Option Incentive Scheme.

We have applied to the Hong Kong Stock Exchange and SFC, respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Hong Kong Listing Rules and the condition to make available for public inspection a full list of grantees as required under paragraph 7(iii) of

Chapter 3.6 of the Guide for New Listing Applicants, in relation to the options granted under the 2024 Share Option Incentive Scheme; and (ii) a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the 2024 Share Option Incentive Scheme. See "Waivers from Strict Compliance with Hong Kong Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Relation to the 2024 Share Option Incentive Scheme" for details.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material and adverse effect on our Group's results of operations or financial conditions, taken as a whole.

Sole Sponsor

The Sole Sponsor has made an application on our behalf to the [**REDACTED**] of the Hong Kong Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares to be [**REDACTED**] as mentioned in this Document. All necessary arrangements have been made enabling the H Shares to be admitted into [**REDACTED**].

The Sole Sponsor satisfies the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules. Pursuant to the engagement letters entered into between our Company and the Sole Sponsor, the fees of the Sole Sponsor payable by us to it in respect of its service as the sponsor in connection with the [**REDACTED**] on the Hong Kong Stock Exchange is HKD3 million.

Compliance Adviser

Our Company has appointed Goutai Junan Capital Limited as our Compliance Adviser in compliance with Rules 3A.19 of the Hong Kong Listing Rules.

Qualifications of Experts

The qualifications of the experts (as defined under the Hong Kong Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this Document are as follows:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants
Beijing DeHeng Law Offices	PRC Legal Adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Thompson Hine LLP	Legal adviser as to U.S. laws in relation to our business operations in the U.S.

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this Document with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respective included.

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Binding Effect

This Document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual [REDACTED]

The English and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2024 (being the date to which the latest consolidated financial statements of our Group were prepared).

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

Preliminary Expenses

Our Company has not incurred any material preliminary expenses in relation to the incorporation of our Company.

Promoter

The promoters of our Company are CIG Cayman, Kangyiqiao, Kangling Technology, CIG Holding, Kangguiqiao, Kangwuqiao and the 2012 Investors. See "History, Development and Corporate Structure — Major Shareholding Changes in Our Company — Capital Injection and Conversion into Joint Stock Limited Company in 2012" for details.

Save as disclosed in the sections headed "History, Development and Corporate Structure" and "Financial Information — Dividend and Dividend Policy" in this Document, within the two years immediately preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the [**REDACTED**] and the related transactions described in this Document.

Miscellaneous

Save as otherwise disclosed in this Document:

(a) within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(h) save for the A Shares of our Company that are listed on the Shanghai Stock Exchange, and save for the H Shares to be [**REDACTED**], none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(i) our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Statutory and General Information — Other Information — Qualifications of Experts" in Appendix VI to this Document; and

(b) a copy of each of the material contracts referred to in "Statutory and General Information — Further Information about our Business — Summary of Material Contracts" in Appendix VI to this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.cigtech.com** during a period of 14 days from the date of this Document:

(a) the Articles of Association;

(b) the Accountants' Report prepared by Grant Thornton Hong Kong Limited, the text of which is set forth in Appendix I to this Document;

(c) the audited consolidated financial statements of our Company for the years ended December 31, 2022, 2023 and 2024;

(d) the report from Grant Thornton Hong Kong Limited on the unaudited [**REDACTED**] financial information of our Group, the text of which is set forth in Appendix II to this Document;

(e) the material contracts in "Statutory and General Information — Further Information about our Business — Summary of Material Contracts" in Appendix VI to this Document;

(f) the written consents referred to in "Statutory and General Information — Other Information — Qualifications of Experts" in Appendix VI to this Document;

(g) the service contracts referred to in "Statutory and General Information — Further Information about our Directors, Supervisors and Substantial Shareholders — Service Contracts" in Appendix VI to this Document;

(h) the legal opinions issued by Beijing DeHeng Law Offices, our PRC Legal Adviser, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

(i) the industry report issued by F&S, the summary of which is set forth in "Industry Overview";

(j) a copy of the following PRC laws, together with their unofficial English translations: (1) the PRC Company law, (2) the Securities Law, and (3) the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies; and

(k) the terms of the 2024 Share Option Incentive Scheme.