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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LIGENT TECHNOLOGIES, INC., CITIGROUP GLOBAL MARKETS ASIA LIMITED, CITIC SECURITIES (HONG KONG) LIMITED AND CLSA LIMITED

Introduction

We report on the historical financial information of Ligent Technologies, Inc. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-77, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-77 forms an integral part of this report, which has been prepared for inclusion in the [**REDACTED**] of the Company dated [●] (the "[**REDACTED**]") in connection with the [**REDACTED**] of the shares of the Company on the [**REDACTED**] 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 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' judgment, 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, 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 financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods 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 3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (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

	Notes	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	4,238,989	5,086,600	8,354,680
Cost of sales		(3,365,077)	(4,203,511)	(6,682,449)
Gross profit		873,912	883,089	1,672,231
Other income and gains	*6*	121,622	105,924	141,373
Gains on disposal of a joint venture	*16*	–	–	352,785
Selling and marketing expenses		(68,387)	(60,452)	(78,051)
Research and development expenses		(553,278)	(623,132)	(663,730)
Administrative expenses		(188,840)	(164,107)	(322,138)
Reversal of impairment/ (impairment) of financial assets, net		1,247	(1,315)	(183)
Impairment of property, plant and equipment	*7*	–	(7,456)	(4,216)
(Impairment)/reversal of impairment of contract assets, net	*7*	(736)	1,917	(295)
Fair value loss on financial liabilities at fair value through profit or loss		(30,038)	(12,045)	(116,274)
Other expenses and losses	*6*	(16,443)	(22,757)	(12,535)
Finance costs	*8*	(28,420)	(56,416)	(47,383)
Share of profits of a joint venture		131,860	55,149	–
PROFIT BEFORE TAX	*7*	242,499	98,399	921,584
Income tax expenses	*11*	(26,978)	(8,909)	(48,944)
PROFIT FOR THE YEAR		215,521	89,490	872,640
Attributable to:				
Owners of the parent		215,521	89,490	875,869
Non-controlling interests		–	–	(3,229)
		215,521	89,490	872,640
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic/diluted (RMB)	*13*	0.29	0.12	1.13

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	215,521	89,490	872,640
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	3,518	7,251	2,292
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	3,518	7,251	2,292
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	219,039	96,741	874,932
Attributable to:			
Owners of the parent	219,039	96,741	878,161
Non-controlling interests	–	–	(3,229)
	219,039	96,741	874,932

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2023	31 December 2024	31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	749,970	1,317,877	1,305,413
Right-of-use assets	*15(a)*	61,964	98,216	97,584
Goodwill	*19*	26,468	26,468	26,468
Investment in a joint venture	*16*	371,182	347,215	–
Other intangible assets	*17*	6,389	7,126	14,524
Deferred tax assets	*21*	3,941	9,159	2,203
Prepayments and other receivables	*20*	67,848	39,867	78,161
Total non-current assets		1,287,762	1,845,928	1,524,353
CURRENT ASSETS				
Inventories	*26*	1,060,615	1,745,997	2,426,376
Trade and bills receivables	*25*	1,191,101	1,983,834	1,780,638
Contract assets	*27*	3,649	2,000	1,265
Prepayments and other receivables	*20*	1,324,066	1,850,023	267,729
Financial assets at fair value through profit or loss	*22*	431,461	–	400,737
Derivative financial instruments	*24*	2,959	644	2,064
Time deposits	*23*	–	11,380	11,580
Pledged deposits	*23*	40,738	59,157	54,785
Cash and cash equivalents	*23*	138,503	260,906	1,273,617
Total current assets		4,193,092	5,913,941	6,218,791
CURRENT LIABILITIES				
Trade and bills payables	*29*	1,197,094	1,679,067	2,719,383
Other payables and accruals	*30*	660,802	795,519	519,936
Financial liabilities at fair value through profit or loss	*31*	414,132	404,223	–
Derivative financial instruments	*24*	746	4,177	254
Interest-bearing bank and other borrowings	*28*	490,970	1,594,594	–
Lease liabilities	*15(b)*	10,010	19,050	25,745
Tax payables		281	6,884	–
Total current liabilities		2,774,035	4,503,514	3,265,318

	Notes	31 December 2023	31 December 2024	31 December 2025
		RMB'000	RMB'000	RMB'000
NET CURRENT ASSETS		1,419,057	1,410,427	2,953,473
TOTAL ASSETS LESS CURRENT LIABILITIES		2,706,819	3,256,355	4,477,826
NON-CURRENT LIABILITIES				
Deferred income		18,628	19,519	90,385
Interest-bearing bank and other borrowings	*28*	710,000	1,240,500	–
Lease liabilities	*15(b)*	39,780	68,060	61,476
Deferred tax liabilities	*21*	4,674	–	29,291
Redemption liabilities	*32*	–	–	538,952
Other non-current liabilities		163	–	–
Total non-current liabilities		773,245	1,328,079	720,104
NET ASSETS		1,933,574	1,928,276	3,757,722
EQUITY				
Equity attributable to owners of the parent				
Share capital	*33*	100,744	100,744	109,134
Treasury shares	*34*	–	(6,980)	–
Reserves	*35*	1,832,830	1,834,512	3,595,822
		1,933,574	1,928,276	3,704,956
Non-controlling interests		–	–	52,766
Total equity		1,933,574	1,928,276	3,757,722

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Notes	Attributable to owners of the parent						
		Share capital	Capital reserve*	Treasury shares	Share-based payment reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
		RMB'000	RMB'000 (Note 35)	RMB'000 (Note 34)	RMB'000 (Note 36)	RMB'000	RMB'000	RMB'000
At 1 January 2023		100,744	502,354	–	101,061	(15,387)	1,227,200	1,915,972
Profit for the year		–	–	–	–	–	215,521	215,521
Other comprehensive income for the year:								
Exchange differences related to foreign operations		–	–	–	–	3,518	–	3,518
Total comprehensive income for the year		–	–	–	–	3,518	215,521	219,039
Dividend declared	12	–	46,083	–	–	–	(259,420)	(213,337)
Recognition of share-based payments	36	–	3,448	–	3,669	–	–	7,117
Proceeds of exercise of share awards		–	4,783	–	–	–	–	4,783
At 31 December 2023		100,744	556,668	–	104,730	(11,869)	1,183,301	1,933,574

Year ended 31 December 2024

	Notes	Attributable to owners of the parent						
		Share capital	Capital reserve*	Treasury shares	Share-based payment reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
		RMB'000	RMB'000 (Note 35)	RMB'000 (Note 34)	RMB'000 (Note 36)	RMB'000	RMB'000	RMB'000
As at 1 January 2024		100,744	556,668	–	104,730	(11,869)	1,183,301	1,933,574
Profit for the year		–	–	–	–	–	89,490	89,490
Other comprehensive income for the year:								
Exchange differences related to foreign operations		–	–	–	–	7,251	–	7,251
Total comprehensive income for the year		–	–	–	–	7,251	89,490	96,741
Dividend declared	12	–	21,953	–	–	–	(123,580)	(101,627)
Recognition of share-based payments	36	–	4,540	–	2,028	–	–	6,568
Purchase of treasury shares		–	–	(6,980)	–	–	–	(6,980)
As at 31 December 2024		100,744	583,161	(6,980)	106,758	(4,618)	1,149,211	1,928,276

Year ended 31 December 2025

	Notes	Attributable to owners of the parent								
		Share capital	**Capital reserve***	**Treasury shares**	**Share-based payment reserve***	**Exchange fluctuation reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000* (*Note 35*)	*RMB'000* (*Note 34*)	*RMB'000* (*Note 36*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2025		100,744	583,161	(6,980)	106,758	(4,618)	1,149,211	1,928,276	–	1,928,276
Profit for the year		–	–	–	–	–	875,869	875,869	(3,229)	872,640
Other comprehensive income for the year:										
Exchange differences related to foreign operations		–	–	–	–	2,292	–	2,292	–	2,292
Total comprehensive income for the year		–	–	–	–	2,292	875,869	878,161	(3,229)	874,932
Issue of shares		8,390	771,610	–	–	–	–	780,000	–	780,000
Dividend declared	*12*	–	9,108	–	–	–	(51,273)	(42,165)	–	(42,165)
Termination of redemption rights of financial liabilities	*31*	–	(319,270)	–	–	–	830,658	511,388	–	511,388
Recognition of redemption liabilities of the Company's shares	*32*	–	(320,946)	–	–	–	–	(320,946)	–	(320,946)
Recognition of redemption liabilities of a subsidiary's shares	*32*	–	(213,850)	–	–	–	–	(213,850)	–	(213,850)
Contribution from non-controlling interests		–	164,005	–	–	–	–	164,005	55,995	220,000
Proceed of exercise of share-based payment		–	–	6,980	–	–	–	6,980	–	6,980
Recognition of share-based payments	*36*	–	3,525	–	9,582	–	–	13,107	–	13,107
As at 31 December 2025		109,134	677,343	–	116,340	(2,326)	2,804,465	3,704,956	52,766	3,757,722

* These reserve accounts comprise the consolidated reserves of RMB1,832,830,000, RMB1,834,512,000 and RMB3,595,822,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		242,499	98,399	921,584
Adjustments for:				
Finance costs	*8*	28,420	56,416	47,383
Share of profits of a joint venture		(131,860)	(55,149)	–
Interest income	*6*	(27,068)	(40,320)	(22,539)
Loss on fair value changes of financial liabilities at fair value through profit or loss		30,038	12,045	116,274
Loss on disposal of property, plant and equipment, net	*6*	1,176	2,554	1,984
Gain on early termination of leases	*6*	–	–	(1,602)
Gain on disposal of derivative financial instruments	*6*	(12)	–	(462)
Loss on disposal of derivative financial instruments	*6*	9,726	1,794	5,089
Gains on disposal of financial assets at fair value through profit or loss	*6*	(4,035)	(3,643)	(750)
Gains on disposal of a joint venture	*16*	–	–	(352,785)
Fair value gains on derivative financial instruments	*6*	(2,959)	(61)	(2,064)
Fair value losses on derivative financial instruments	*6*	746	4,177	254
Fair value gains on financial assets at fair value through profit or loss	*6*	(2,461)	–	(737)
Depreciation of property, plant and equipment	*7*	167,569	225,838	311,973
Depreciation of right-of-use assets	*7*	12,702	15,145	19,132
Amortization of other intangible assets	*7*	2,854	2,628	4,359
(Reversal of impairment)/ impairment of trade and bills receivables, net	*7*	(1,531)	632	647
Impairment/(reversal of impairment) of other receivables, net	*7*	284	683	(464)
Impairment of property, plant and equipment	*7*	–	7,456	4,216
Impairment/(reversal of impairment) of contract assets, net	*7*	736	(1,917)	295
Provision for inventories	*7*	45,349	84,369	135,240
Share-based payment expense		7,117	6,568	13,107
Foreign exchange difference, net		(278)	840	10,420
		379,012	418,454	1,210,554
Decrease/(increase) in inventories		65,760	(769,659)	(815,796)
Decrease/(increase) in trade and bills receivables		622,972	(793,365)	202,549
Decrease in contract assets		1,673	3,566	440
Increase in prepayments and other receivables		(66,715)	(120,474)	(99,600)
Decrease/(increase) in pledged deposits		136,658	(29,799)	4,172
Increase in derivative financial instruments		(38,853)	(164)	(8,160)
(Decrease)/increase in trade and bills payables		(171,129)	481,973	1,040,316
(Decrease)/increase in other payables and accruals		(107,455)	204,880	(129,433)

	Notes	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
		RMB'000	RMB'000	RMB'000
Cash generated from/(used in) operations		821,923	(604,588)	1,405,042
Interest received		1,101	915	2,921
Income tax paid		(24,262)	(12,198)	(19,581)
Net cash flows generated from/(used in) operating activities		798,762	(615,871)	1,388,382
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		72,050	61,358	19,616
Advances to related parties		(900,000)	(406,000)	–
Repayment from advances to related parties		–	–	1,606,000
Proceeds from disposal of a joint venture		–	–	700,000
Proceed from disposal of financial assets at fair value through profit or loss		433,035	435,104	1,105,750
Purchase of financial assets at fair value through profit or loss		(429,000)	–	(1,505,000)
Dividends received from a joint venture		46,264	79,116	–
Purchases of items of property, plant and equipment		(218,428)	(867,375)	(351,808)
Purchases of other intangible assets		(3,089)	(3,342)	(1,551)
Proceeds from disposal of items of property, plant and equipment		5,718	4,955	4,569
Net cash flow (used in)/ generated from investing activities		(993,450)	(696,184)	1,577,576
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	*33(a)*	–	–	780,000
Repayment of interest-bearing bank and other borrowings	*37(b)*	(699,669)	(631,876)	(4,104,167)
New drawdown of interest-bearing bank and other borrowings	*37(b)*	1,200,000	2,266,000	1,269,073
Interest paid for interest-bearing bank and other borrowings	*37(b)*	(25,943)	(52,376)	(35,757)
Principal portion of lease payments	*37(b)*	(11,882)	(14,023)	(16,395)
Interest portion of lease payments	*37(b)*	(2,477)	(4,040)	(3,896)
Capital injection from non-controlling interests		–	–	220,000
Purchase of treasury shares		–	(6,980)	–
Proceeds of exercise of share awards		4,783	–	6,980
Dividends paid	*37(b)*	(248,609)	(123,580)	(64,936)
Net cash flow from/(used in) financing activities		216,203	1,433,125	(1,949,098)
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,515	121,070	1,016,860
Cash and cash equivalents at the beginning of year		116,018	138,503	260,906
Effect of foreign exchange rate changes, net		970	1,333	(4,149)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		138,503	260,906	1,273,617

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December 2023	31 December 2024	31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investments in subsidiaries	*18*	304,066	335,687	1,097,018
Total non-current assets		304,066	335,687	1,097,018
CURRENT ASSETS				
Prepayments and other receivables	*20*	269,822	194,763	144,376
Cash and cash equivalents		20,616	20,065	3,991
Total current assets		290,438	214,828	148,367
CURRENT LIABILITIES				
Other payables and accruals	*30*	467,286	457,951	60,731
Tax payable		–	6,637	–
Total current liabilities		467,286	464,588	60,731
NET CURRENT (LIABILITIES)/ASSETS		(176,848)	(249,760)	87,636
TOTAL ASSETS LESS CURRENT LIABILITIES		127,218	85,927	1,184,654
NON-CURRENT LIABILITIES				
Redemption liabilities	*32*	–	–	322,015
Total non-current liabilities		–	–	322,015
NET ASSETS		127,218	85,927	862,639
EQUITY				
Share capital	*33*	100,744	100,744	109,134
Treasury shares	*34*	–	(6,980)	–
Reserves	*35*	26,474	(7,837)	753,505
Total equity		127,218	85,927	862,639

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Ligent Technologies, Inc. (the "**Company**") is an exempted company registered by way of continuation in the Cayman Island. The registered office of the Company is located at 4th Floor, Harbor Place, 103 South Church Street, Cayman Island. The Company's immediate holding company and ultimate holding company is Hisense Group Holdings Co., Ltd. ("Hisense Group Holding"), a company incorporated in Chinese mainland.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally involved in the business of manufacturing and sales of optical transceivers, optical chips and optical network terminal products.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hisense Broadband Multimedia Technologies Co., Ltd. ("Qingdao Broadband")*	*a*	Chinese mainland 4 April 2003	RMB111,879,500	100%	–	R&D, Manufacture and sales of optical transceivers, optical chips and optical network terminal products
Hisense Broadband Multimedia Technologies (HK) Co., Limited ("HK Broadband")	*b*	Hong Kong 4 March 2011	HK$8,000,000	100%	–	Investment holding
Guangdong Hisense Broadband Technology Co., Ltd. ("Guangdong Broadband")*	*a*	Chinese mainland 28 June 2012	RMB33,130,000	–	100%	R&D, manufacturing and sales of optical transceivers and optical network terminal products
Xiamen Lianzhi Optical Communication Technology Co., Ltd. ("Xiamen Lianzhiguang")*	*c*	Chinese mainland 9 April 2025	RMB273,333,334	–	94.63%	R&D, production and sales of optical chips and optical device products
Qingdao Lianzhi Optical Communication Technology Co., Ltd. ("Qingdao Lianzhiguang")*	*c*	Chinese mainland 15 April 2025	RMB200,000,000	–	100%	R&D, Manufacture of optical chips
Ligent Inc.	*b*	United States of America 8 April 2024	USD0.50	100%	–	Investment holding
Ligent Tech, Inc. (formerly known as Hisense Broadband, Inc.) ("Ligent Tech")	*b*	United States of America 21 June 2002	USD10	–	100%	R&D, Sale of optical transceivers
LigentCom Photonics Inc. (formerly known as Hisense Photonics, Inc.) ("LigentCom")	*b*	United States of America 8 November 2000	USD24.14771	–	100%	R&D, Manufacture of optical chips
Ligent Comm Co., Ltd.	*d*	Thailand 20 November 2019	THB731,370,000	–	99.9999959%	Manufacturing of optical transceivers and optical network terminal products
Ligent (Singapore) Pte. Ltd.	*b*	Singapore 6 September 2020	USD1,000,000	–	100%	R&D of optical transceivers

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2023 and 2024 prepared under China Accounting Standards for Business Enterprises ("PRC GAAP") were audited by ShineWing Certified Public Accountants Qingdao branch, certified public accountants registered in the PRC.

(b) No audited financial statements have been prepared for these entities during the Relevant Periods, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

(c) No audited financial statements have been prepared for these entities during the Relevant Periods, as the entities were established during the year ended 31 December 2025.

(d) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared under Thai Financial Reporting Standard for Non-Publicly Accountable Entities were audited by KPMG Phoomchai Audit Ltd., certified public accountants registered in Thailand.

* The English names of the PRC companies above represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**").

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and bill receivables measured at fair value through other comprehensive income which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]
Amendments to IFRS 10 and International Accounting Standards (the "**IAS**") 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[1]

1 Effective for annual periods beginning on or after 1 January 2026

2 Effective for annual/reporting periods beginning on or after 1 January 2027

3 No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below:

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and other comprehensive income and disclosures of the Group's financial performance. So far, the Group considers that IFRS 18 is unlikely to have a significant impact on the Group's results of operations and financial position.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. IFRS 19 was amended in 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. Some of the Company's subsidiaries are considering the application of IFRS 19 and its amendments in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognized and introduce an accounting policy option to derecognize a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards — Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognize any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and bill receivables measured at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

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 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;

or

(b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.44%-3.33%
Freehold land	Not depreciated
Leasehold improvements	33.33%
Plant and machinery	6.33%-32.33%
Furniture and fixtures	6.33%-32.33%
Motor vehicles	9.5%-24.25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful lives of 1 to 10 years, which is mainly determined by reference to the licensed period of the purchased software.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Offices	2-10 years
Machinery	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. Debt investments graded in the top investment categories (Very Good and Good) by the Credit Rating Agency are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Credit Rating Agency both to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, financial liabilities at fair value through profit or loss, derivative financial instruments, interest-bearing bank and other borrowings and redemption liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost

After initial recognition, trade and other payables, interest-bearing borrowings, and redemption liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancelation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, and joint ventures, when the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize 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.

Government subsidies

Government subsidies are recognized at their fair value where there is reasonable assurance that the subsidies will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the subsidies relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sales of products

Revenue is recognized when the control of the optical transceivers, optical chips and optical terminal products have been transferred, that is, when the products have been delivered to the specific location of the customer and the customer has confirmed the acceptance of the products. The Group recognizes accounts receivable upon receipt of the signed receipt after the delivery of goods to the customer, as this represents the point in time when the consideration right becomes unconditional, as it only takes some time before the payment is due.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates certain share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a option pricing model, further details of which are given in note 36 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately.

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially at the grant date and at each reporting date up to and including the settlement date. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cumulative expense recognized for cash-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognizes in its financial statements. The Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Dividends are recognized as a liability when they are approved by the shareholders. Proposed dividends are disclosed in the note 12 to the Historical Financial Information.

Foreign currencies

These financial statements are presented in Renminbi, which is different from the Company's functional currency, United States dollar. As the major revenues and assets of the Group are derived from operations in Chinese mainland, Renminbi is chosen as the presentation currency to present these financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgment

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Historical Financial Information:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant cash-generating units ("CGUs") to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. In determining the fair value less cost of disposal of the CGUs, references were made to the valuation of the land, buildings plant and machinery and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value. The assessment of the recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for land, buildings plant and machinery. These estimates and assumptions are subject to risk and uncertainty. The assumptions were affected by expectations of future market or economic conditions. Therefore, there is a possibility that changes in circumstances will impact on these projections, which will have a corresponding impact on the recoverable amounts of the CGUs, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2023, 2024 and 2025 was RMB26,468,000, details of which are set out in note 19.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets are disclosed in note 25 and note 27 to the Historical Financial Information.

Provision of inventories

The Group reviews the aging analysis of the Group's inventories at the end of each reporting period, and makes provision for obsolete items when events or changes in circumstances show that the balance of inventories may not be realizable. The assessment of the provision amount involves management judgment and estimates by considering historical consumption. Where the actual outcome is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which such estimate has been changed. Further details of which are included in note 26 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is in the optical communication industry, engaged in the research, production and sales of optical transceivers, optical chips and optical network terminals, which are regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers:

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Asia			
– China	2,768,316	3,494,280	5,883,333
– Rest of Asia	541,258	670,878	839,349
North America	605,706	683,502	1,287,082
Europe and others	323,709	237,940	344,916
Total revenue	4,238,989	5,086,600	8,354,680

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
China	1,088,122	1,510,439	1,181,000
United States of America	151,600	147,186	101,795
Thailand	44,099	179,144	239,355
Total	1,283,821	1,836,769	1,522,150

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Information about external customers from which the revenue amounted to over 10% of the total revenue of the Group for the years ended 31 December 2023, 2024 and 2025 was set forth below:

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Customer A	1,359,933	1,196,090	1,713,513
Customer C	*	*	852,618
Customer F	*	1,033,961	1,819,036
Customer G	*	*	1,154,341

* Less than 10% of the Group's revenue.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	4,238,989	5,086,600	8,354,680

(a) Disaggregated revenue information

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Optical transceivers			
– Datacom transceivers	1,055,988	2,776,454	5,469,325
– Telecom transceivers	1,681,162	905,653	1,065,287
Optical network terminals	1,389,758	1,380,703	1,791,137
Optical chips	112,081	23,790	28,931
Total	4,238,989	5,086,600	8,354,680

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Geographical markets			
Asia			
– China	2,768,316	3,494,280	5,883,333
– Rest of Asia	541,258	670,878	839,349
North America	605,706	683,502	1,287,082
Europe and others	323,709	237,940	344,916
Total	4,238,989	5,086,600	8,354,680
Timing of revenue recognition			
Goods transferred at a point in time	4,238,989	5,086,600	8,354,680

The following table shows the amounts of revenue recognized in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in contract liabilities at the beginning of the reporting period	1,390	2,311	1,971

(b) Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of optical transceivers, optical chips and optical terminal products

The performance obligation is satisfied when the products have been delivered to the specific location of the customer and the customer has confirmed the acceptance of products and payment is generally due within 30 to 120 days from issued invoices, except for new customers, where payment in advance is normally required.

All amounts of transaction prices allocated to the performance obligations of sales of optical transceivers, optical chips and optical terminal products are expected to be recognized as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration more than one year, thus management applied practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

6. OTHER INCOME AND GAINS, AND OTHER EXPENSES AND LOSSES

	Note	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
Other income				
Interest income		27,068	40,320	22,539
Government subsidies*		32,461	23,056	22,488
Other tax refund		35,419	22,857	65,377
Rental income		2,512	2,754	4,154
Sale of scrap materials		3,712	2,741	2,592
Others		2,847	3,228	3,294
Total other income		104,019	94,956	120,444
Gains				
Compensation from suppliers		3,767	5,801	5,108
Gains on disposal of financial assets at fair value through profit or loss		4,035	3,643	750
Foreign exchange gains	*7*	2,756	–	9,954
Fair value gains on derivative financial instruments		2,959	61	2,064
Fair value gains on financial assets at fair value through profit or loss:				
– Wealth management products		2,461	–	737
Gains on disposal of derivative financial instruments		12	–	462
Gains on early termination of leases		–	–	1,602
Others		1,613	1,463	252
Total gains		17,603	10,968	20,929
Total other income and gains		121,622	105,924	141,373
Other expenses and losses				
Foreign exchange losses	*7*	–	10,398	–
Fair value losses on derivative financial instruments		746	4,177	254
Loss on disposal of derivative financial instruments		9,726	1,794	5,089
Other operating expenses		1,570	1,629	1,373
Loss on disposal of property, plant and equipment, net		1,176	2,554	1,984
Direct operating expenses arising from rental-earning arrangements		564	720	1,535
Loss on disposal of bills receivables		885	323	885
Others		1,776	1,162	1,415
Total other expenses and losses		16,443	22,757	12,535

* The amounts represent subsidies received from certain governmental authorities in Chinese mainland for the Group's operating businesses, where there were no unfulfilled conditions or contingencies relating to these subsidies during the Relevant Periods.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold*		3,365,077	4,203,511	6,682,449
Depreciation of property, plant and equipment	*14*	167,569	225,838	311,973
Depreciation of right-of-use assets	*15(a)*	12,702	15,145	19,132
Amortization of other intangible assets	*17*	2,854	2,628	4,359
Lease payments not included in the measurement of lease liabilities	*15(c)*	7,335	8,037	5,981
Auditor's remuneration		348	368	398
[**REDACTED**]		–	–	[**REDACTED**]
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 9)*):				
Wages, salaries and benefits in kind		694,682	773,465	1,000,836
Pension scheme contributions (defined contribution schemes)**		49,455	51,361	55,258
Profit sharing bonus		59,570	23,529	120,525
Share-based payment expenses		5,328	3,744	10,963
Total		809,035	852,099	1,187,582
Foreign exchange difference, net	*6*	(2,756)	10,398	(9,954)
Impairment of property, plant and equipment	*14*	–	7,456	4,216
Provision for inventories	*26*	45,349	84,369	135,240
Impairment/(reversal of impairment) of financial assets and contract assets, net:				
Prepayments and other receivables, net	*20*	284	683	(464)
Trade receivables, net	*25*	(1,531)	632	647
Contract assets, net	*27*	736	(1,917)	295
Total		(511)	(602)	478
Fair value (gains)/losses on derivative financial instruments		(2,213)	4,116	(1,810)

* Cost of inventories sold include provision for inventories and expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	25,943	52,376	35,757
Interest on lease liabilities *(note 15(b))*	2,477	4,040	3,896
Interest on redemption liabilities	–	–	7,730
Total	28,420	56,416	47,383

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and the supervisors of the Company recorded in each of the Relevant Periods is set out below:

	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	177
Other emoluments:			
Salaries, allowances and benefits in kind	1,954	2,015	3,632
Performance related bonuses	288	430	4,956
Share-based payments expenses	1,789	2,823	2,144
Pension scheme contributions	156	160	155
Subtotal	4,187	5,428	10,887
Profit sharing bonus	3,217	1,372	2,699
Total	7,404	6,800	13,763

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Changjun Zhou	–	–	59
Franklin Fuk Kay Tong	–	–	59
Ying Sun	–	–	59
Total	–	–	177

The Company did not appoint independent non-executive directors during the years ended 31 December 2023 and 2024. Dr. Changjun Zhou, Dr. Franklin Fuk Kay Tong and Dr. Ying Sun were appointed as the independent non-executive directors of the Company on 11 August 2025.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors, non-executive directors, and the supervisor

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2023						
Non-executive directors:						
Yuebin Duan	–	1,400	154	1,328	153	3,035
Weiping Huang	–	554	134	461	3	1,152
Shaoqian Jia	–	–	–	–	–	–
Zhitao Yu	–	–	–	–	–	–
HSIEN-CHENG CHEN	–	–	–	–	–	–
Jing Zhang	–	–	–	–	–	–
Weiqiang Chen	–	–	–	–	–	–
Subtotal	–	1,954	288	1,789	156	4,187
Supervisor:						
Zhenshun Liu	–	–	–	–	–	–
Total	–	1,954	288	1,789	156	4,187

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2024						
Non-executive directors:						
Yuebin Duan	–	1,325	430	2,823	160	4,738
Weiping Huang	–	690	–	–	–	690
Shaoqian Jia	–	–	–	–	–	–
Zhitao Yu	–	–	–	–	–	–
HSIEN-CHENG CHEN	–	–	–	–	–	–
Jing Zhang	–	–	–	–	–	–
Weiqiang Chen	–	–	–	–	–	–
Subtotal	–	2,015	430	2,823	160	5,428
Supervisor:						
Zhenshun Liu	–	–	–	–	–	–
Total	–	2,015	430	2,823	160	5,428

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2025						
Executive directors:						
Jin Hong	–	1,727	1,815	–	44	3,586
Hui Wang	–	510	940	–	43	1,493
Subtotal	–	2,237	2,755	–	87	5,079
Non-executive directors:						
Weiping Huang	–	790	–	–	–	790
Shaoqian Jia	–	–	–	–	–	–
HSIEN-CHENG CHEN	–	–	–	–	–	–
Weiqiang Chen	–	–	–	–	–	–
Zhitao Yu	–	–	–	–	–	–
Jing Zhang	–	–	–	–	–	–
Yuebin Duan	–	605	2,201	2,144	68	5,018
Subtotal	–	1,395	2,201	2,144	68	5,808
Supervisor:						
Zhenshun Liu	–	–	–	–	–	–
Total	–	3,632	4,956	2,144	155	10,887

Note: According to the Group's profit sharing scheme, Mr. Yuebin Duan also be granted of RMB3,217,000, RMB1,372,000 and RMB2,699,000 during the years ended 31 December 2023, 2024 and 2025, respectively. The scheme has been terminated since April 2025.

Dr. Jin Hong and Ms. Hui Wang were appointed as the executive directors of the Company on 11 August 2025. Additionally, Mr. Yuebin Duan, Mr. Weiqiang Chen, Mr. HSIEN-CHENG CHEN and Mr. Zhenshun Liu resigned on 11 August 2025.

There was no arrangement under which a director or the supervisor waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director during the years ended 31 December 2023 and 2024, and included three directors during the years ended 31 December 2025, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining highest paid employees who are not a director of the Company:

	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	7,103	10,561	4,301
Performance related bonuses	1,349	2,999	3,079
Share-based payment expense	385	–	909
Pension scheme contributions	682	833	468
Subtotal	9,519	14,393	8,757
Profit sharing bonus	2,471	–	–
Total	11,990	14,393	8,757

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
RMB1,000,000 to RMB2,000,000	–	–	–
RMB2,000,001 to RMB3,000,000	3	3	–
RMB3,000,001 to RMB4,000,000	1	–	–
RMB4,000,001 to RMB5,000,000	–	–	2
More than RMB5,000,000	–	1	–
Total	4	4	2

11. INCOME TAX EXPENSES

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled or operated.

Chinese mainland

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate for the Group's PRC subsidiaries is 25% unless subject to preferential tax as set out below.

Qingdao Broadband was qualified as a High and New Technology Enterprise ("HNTE") on 14 December 2021, and 14 December 2024 and was entitled to a preferential tax rate of 15% during the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC every three years.

United States of America

The subsidiaries incorporated in the United States of America are subject to federal income tax at a rate of 21%, California state and New Jersey income tax at rates of 8.84% and 6.5%, respectively.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 8.25% for taxable income not exceeding HKD2,000,000, and 16.5% for taxable income exceeding HKD2,000,000 on any estimated assessable profits arising in Hong Kong during the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– Chinese mainland	2,257	6,577	678
– United States of America	10,271	11,796	11,666
– Hong Kong	569	428	353
Deferred tax *(note 21)*	13,881	(9,892)	36,247
Total tax charge for the year	26,978	8,909	48,944

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	242,499	98,399	921,584
Tax at the PRC EIT rate of 25%	60,625	24,600	230,396
Effect of different tax rates	(14,832)	(6,732)	(117,743)
Additional deductible allowance for research and development expenses and others *(note a)*	(73,035)	(77,361)	(150,693)
Profits attributable to a joint venture *(note b)*	(32,965)	(13,787)	–
Expenses not deductible for tax	284	472	219
Tax losses utilized from previous periods	–	–	(93,786)
Tax losses and deductible temporary differences not recognized	86,901	81,717	180,551
Tax charge for the year	26,978	8,909	48,944

Notes:

(a) According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim additional deduction of their research and development costs.

(b) The share of tax attributable to a joint venture amounting to RMB32,965,000, RMB13,787,000, and nil as at 31 December 2023, 2024 and 2025, respectively, were included in "Share of profits of a joint venture" in the consolidated statements of profit or loss.

12. DIVIDENDS

The Board of Directors approved the profit distribution plans for the year 2022 on 10 January 2023 and 1 June 2023. The Company declared dividends of RMB187,979,000 and RMB71,441,000, for the year ended 31 December 2022 on 10 January 2023 and 1 June 2023, respectively, of which RMB180,251,000 was paid in February 2023 and RMB68,358,000 was paid in July 2023.

The Board of Directors approved the profit distribution plans for the year 2023 on 17 January 2024 and 16 April 2024. The Company declared dividends of RMB85,644,000 and RMB37,936,000, for the year ended 31 December 2023 on 17 January 2024 and 16 April 2024, respectively, of which RMB85,644,000 was paid in January 2024 and RMB37,936,000 was paid in May 2024.

The Board of Directors approved the profit distribution plans for the year 2024 on 15 January 2025 and 16 April 2025. The Company declared dividends of RMB27,297,000 and RMB23,976,000, for the year ended 31 December 2024 on 15 January 2025 and 16 April 2025, respectively, of which RMB27,297,000 was paid in January 2025, RMB23,976,000 was paid in May 2025 and RMB13,663,000 was paid in June 2025.

The aforesaid amounts included dividends of RMB46,083,000, RMB21,953,000 and RMB9,108,000 paid to a shareholder with ordinary share redemption option during the years ended 31 December 2023, 2024 and 2025, respectively. The amounts paid were deemed as settlement of financial liabilities at fair value through profit or loss during the Relevant Periods (note 35).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods and attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the Relevant Periods. As the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods, no adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods.

The weighted average numbers of shares for the purpose of basic/diluted earnings per share for the Relevant Periods are based on the weighted average numbers of shares have been issued.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit attributable to ordinary equity holders of the parent	215,521	89,490	875,869

	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2023	2024	2025
Shares			
Weighted average number of ordinary shares outstanding during the year*	750,541,148	751,938,136	775,650,098

* The weighted average number of shares was after taking into account the effect of treasury shares held. Pursuant to a resolution passed in the board meeting held on 11 August 2025, the Company proceed with the share sub-division that each of the ordinary shares of USD1.00 par value was subdivided into 50 ordinary shares of par value of USD0.02 each.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Freehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023								
At 1 January 2023:								
Cost	144,399	18,193	18,275	1,388,138	8,673	756	40,531	1,618,965
Accumulated depreciation	(36,627)	–	(13,237)	(870,372)	(4,317)	(462)	–	(925,015)
Net carrying amount	107,772	18,193	5,038	517,766	4,356	294	40,531	693,950
At 1 January 2023, net of accumulated depreciation	107,772	18,193	5,038	517,766	4,356	294	40,531	693,950
Additions	–	–	6,676	152,739	583	41	67,667	227,706
Disposals	–	–	–	(6,891)	(1)	(2)	–	(6,894)
Depreciation provided during the year *(note 7)*	(4,467)	–	(4,403)	(157,381)	(1,239)	(79)	–	(167,569)
Transfers	–	–	–	50,977	5	–	(50,982)	–
Exchange realignment	435	309	27	1,569	68	–	369	2,777
At 31 December 2023, net of accumulated depreciation	103,740	18,502	7,338	558,779	3,772	254	57,585	749,970
At 31 December 2023:								
Cost	144,978	18,502	25,155	1,541,859	9,410	747	57,585	1,798,236
Accumulated depreciation	(41,238)	–	(17,817)	(983,080)	(5,638)	(493)	–	(1,048,266)
Net carrying amount	103,740	18,502	7,338	558,779	3,772	254	57,585	749,970

	Buildings	Freehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024								
At 1 January 2024:								
Cost	144,978	18,502	25,155	1,541,859	9,410	747	57,585	1,798,236
Accumulated depreciation	(41,238)	–	(17,817)	(983,080)	(5,638)	(493)	–	(1,048,266)
Net carrying amount	103,740	18,502	7,338	558,779	3,772	254	57,585	749,970
At 1 January 2024, net of accumulated depreciation	103,740	18,502	7,338	558,779	3,772	254	57,585	749,970
Additions	–	–	5,956	405,342	396	52	392,061	803,807
Disposals	–	–	–	(7,473)	(36)	–	–	(7,509)
Depreciation provided during the year *(note 7)*	(4,724)	–	(7,295)	(212,469)	(1,259)	(91)	–	(225,838)
Impairments *(note 7)*	–	–	–	(7,456)	–	–	–	(7,456)
Transfers	19,085	–	6,597	275,335	13	152	(301,182)	–
Exchange realignment	370	276	200	3,881	37	7	132	4,903
At 31 December 2024, net of accumulated depreciation	118,471	18,778	12,796	1,015,939	2,923	374	148,596	1,317,877
At 31 December 2024:								
Cost	164,583	18,778	38,211	2,182,942	9,688	959	148,596	2,563,757
Accumulated depreciation	(46,112)	–	(25,415)	(1,167,003)	(6,765)	(585)	–	(1,245,880)
Net carrying amount	118,471	18,778	12,796	1,015,939	2,923	374	148,596	1,317,877

As at 31 December 2024, the carrying amounts of certain machineries have been reduced to their recoverable amounts of RMB1,075,000 through recognition of an impairment loss of RMB7,456,000 mainly due to the restructuring of optical transceivers business.

The recoverable amounts of machineries were their expected net salvage values.

	Buildings	Freehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025								
At 1 January 2025:								
Cost	164,583	18,778	38,211	2,182,942	9,688	959	148,596	2,563,757
Accumulated depreciation	(46,112)	–	(25,415)	(1,167,003)	(6,765)	(585)	–	(1,245,880)
Net carrying amount	118,471	18,778	12,796	1,015,939	2,923	374	148,596	1,317,877
At 1 January 2025 net of accumulated depreciation	118,471	18,778	12,796	1,015,939	2,923	374	148,596	1,317,877
Additions	–	–	5,238	144,461	1,222	4,694	150,506	306,121
Disposals	–	–	–	(6,492)	(16)	(45)	–	(6,553)
Depreciation provided during the year *(note 7)*	(5,076)	–	(17,605)	(288,170)	(771)	(351)	–	(311,973)
Impairments *(note 7)*	–	–	–	(4,216)	–	–	–	(4,216)
Transfers	–	–	37,295	230,604	–	–	(267,899)	–
Exchange realignment	(540)	(417)	710	4,405	(8)	7	–	4,157
At 31 December 2025, net of accumulated depreciation	112,855	18,361	38,434	1,096,531	3,350	4,679	31,203	1,305,413
At 31 December 2025:								
Cost	163,798	18,361	82,055	2,495,136	10,483	5,476	31,203	2,806,512
Accumulated depreciation	(50,943)	–	(43,621)	(1,398,605)	(7,133)	(797)	–	(1,501,099)
Net carrying amount	112,855	18,361	38,434	1,096,531	3,350	4,679	31,203	1,305,413

As at 31 December 2025, the carrying amounts of certain machineries have been reduced to their recoverable amounts of RMB561,000 through recognition of an impairment loss of RMB4,216,000 mainly due to the restructuring of optical transceivers business. The recoverable amounts of machineries were their expected net salvage values.

15. LEASES

The Group as a lessee

The Group has lease contracts for leasehold land, machinery and offices used in its operations. Leases of leasehold land generally have lease terms of 50 years and offices generally have lease terms between 2 and 10 years, while the leases of machinery have lease terms of 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Notes	Machinery	Offices	Leasehold land	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023		191	49,215	15,052	64,458
Additions		–	10,094	–	10,094
Depreciation charge	7	(175)	(12,160)	(367)	(12,702)

	Notes	Machinery	Offices	Leasehold land	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Exchange realignment		(16)	130	–	114
As at 31 December 2023 and 1 January 2024		–	47,279	14,685	61,964
Additions		–	51,097	–	51,097
Depreciation charge	7	–	(14,778)	(367)	(15,145)
Exchange realignment		–	300	–	300
As at 31 December 2024 and 1 January 2025		–	83,898	14,318	98,216
Additions		–	31,730	–	31,730
Depreciation charge	7	–	(18,765)	(367)	(19,132)
Termination		–	(13,586)	–	(13,586)
Exchange realignment		–	356	–	356
As at 31 December 2025		–	83,633	13,951	97,584

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	Note	31 December 2023	31 December 2024	31 December 2025
		RMB'000	RMB'000	RMB'000
At beginning of year		51,418	49,790	87,110
New leases		10,094	51,097	31,730
Accretion of interest recognized during the year	8	2,477	4,040	3,896
Payments		(14,359)	(18,063)	(20,291)
Termination		–	–	(15,188)
Exchange realignment		160	246	(36)
At end of year		49,790	87,110	87,221
Analyzed into:				
Current portion		10,010	19,050	25,745
Non-current portion		39,780	68,060	61,476

The maturity analysis of lease liabilities is disclosed in note 44 to the Historical Financial Information.

(c) The amounts recognized in consolidated statements of profit or loss in relation to leases are as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	2,477	4,040	3,896
Depreciation charge of right-of-use assets	12,702	15,145	19,132
Expenses relating to short-term leases and low-value leases	7,335	8,037	5,981
Total amount recognized in profit or loss	22,514	27,222	29,009

(d) The total cash outflow for leases are disclosed in note 37(c).

16. INVESTMENT IN A JOINT VENTURE

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	371,182	347,215	–

During the year ended 31 December 2025, the Group disposed its 50% equity interests in Qingdao Xinghang Photoelectric Technology Co., Ltd. ("Qingdao Xinghang"), a joint venture of the Group, through disposal of a wholly-owned subsidiary, Qingdao Optical Interconnection Technology Co., Ltd. to Qingdao Gaoshi Industrial Investment Holdings Co., Ltd. ("Gaoshi"), at a cash consideration of RMB700,000,000 and recognized a gain on disposal of the joint venture amounting to RMB352,785,000 during the year ended 31 December 2025. The Group's outstanding balances as at 31 December 2023 and 2024, with the joint venture are disclosed in note 41.

Particulars of the Group's material joint venture as at 31 December 2023 and 2024 is as follows:

Name	Particular of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Qingdao Xinghang	Ordinary shares	PRC/Chinese mainland	50	50	50	Manufacture and sale of photoelectric products

Qingdao Xinghang, which is considered a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarized financial information in respect of Qingdao Xinghang adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	31 December 2023	31 December 2024
	RMB'000	*RMB'000*
Cash and cash equivalents	132,743	517,330
Other current assets	702,144	238,532
Current assets	834,887	755,862
Non-current assets	27,439	29,413
Current liabilities	(118,090)	(89,075)
Non-current liabilities	(1,872)	(1,771)
Net assets	742,364	694,429
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	371,182	347,215
Revenue	579,782	349,912
Interest income	2,403	1,049
Depreciation and amortization	(7,674)	(7,297)
Tax	(36,396)	(9,859)
Profit and total comprehensive income for the year	263,720	110,297

17. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
Cost at 1 January 2023, net of accumulated amortization	6,150
Additions	3,089
Amortization provided during the year *(note 7)*	(2,854)
Exchange realignment	4
At 31 December 2023, net of accumulated amortization	6,389
At 31 December 2023	
Cost	31,103
Accumulated amortization	(24,714)
Net carrying amount	6,389

	Software
	RMB'000
Cost at 1 January 2024, net of accumulated amortization	6,389
Additions	3,342
Amortization provided during the year *(note 7)*	(2,628)
Exchange realignment	23
At 31 December 2024, net of accumulated amortization	7,126
At 31 December 2024	
Cost	34,492
Accumulated amortization	(27,366)
Net carrying amount	7,126

	Software
	RMB'000
Cost at 1 January 2025, net of accumulated amortization	7,126
Additions	11,787
Amortization provided during the year *(note 7)*	(4,359)
Exchange realignment	(30)
At 31 December 2025, net of accumulated amortization	14,524
At 31 December 2025	
Cost	46,223
Accumulated amortization	(31,699)
Net carrying amount	14,524

18. INVESTMENTS IN SUBSIDIARIES

At the end of each of the Relevant Periods, the Company's investments in subsidiaries were as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Qingdao Broadband	136,576	138,614	135,536
LigentCom	136,645	–	–
Ligent Tech	23,575	–	–
HK Broadband	7,270	7,379	7,215

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Ligent Inc.	–	189,694	185,483
Xiamen Lianzhiguang	–	–	768,784
	304,066	335,687	1,097,018

Note: Ligent Inc. has consolidated LigentCom and Ligent Tech since April 2024.

19. GOODWILL

	RMB'000
Cost and net carrying amount at 31 December 2023, 2024, and 2025	26,468

Impairment testing of goodwill

Goodwill of the Group arose from the acquisition of LigentCom in 2012. LigentCom is engaged in the manufacturing of chips and is considered as a cash-generating unit ("LigentCom CGU") that generates independent cash flows.

Goodwill acquired through business combinations was allocated to the LigentCom CGU for impairment testing.

The recoverable amount of the LigentCom CGU has been determined by reference to the fair value less costs of disposal. In assessing the fair value less costs of disposal, references were made to the valuation of the land, buildings, plant and machinery. Fair values of the land, buildings, plant and machinery were determined based on valuations performed by independent valuers (CHFT Advisory and Appraisal Limited) at year-end using the direct comparison method, which has used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in IFRS 13). The recoverable amounts of LigentCom CGU were RMB195 million, RMB199 million and RMB195 million, respectively, and the carrying amounts of LigentCom CGU (including goodwill) were RMB137 million, RMB131 million and RMB116 million as at 31 December 2023, 2024 and 2025, respectively. The key parameter was the selling price of the land located in the US, which averaged at USD84.18 per square foot, USD86.75 per square feet and USD88.37 per sq. foot, as at 31 December 2023, 2024 and 2025, respectively. The headroom was RMB58 million, RMB68 million and RMB79 million as at 31 December 2023, 2024 and 2025, respectively. Market approach measures the fair value of the land by making comparison based on prices realized or market prices of comparable land of similar size, character and location. Significant decreases in estimated selling price per square foot would result in a significantly lower recoverable amount of the LigentCom CGU. In the opinion of the directors of the Company, there is no reasonably possible change in the key assumptions and has not identified any instances that would cause the carrying amount of LigentCom CGU to exceed its recoverable amount.

The key assumptions applied for the valuation were as follows:

- Current national laws, regulations, tax policies, and macroeconomic conditions remain stable without material adverse changes;
- Assets are transacted under arm's-length terms with adequate market exposure;
- Industry dynamics in the photonics manufacturing sector follow current market trends; and
- Costs of disposal are 5%, based on industry benchmarks for specialized manufacturing assets and historical experience with transactions involving similar equipment. This reflects typical commissions, dismantling, and regulatory compliance costs associated with such transactions.

20. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Prepayments	70,475	114,735	105,836
Other receivables	14,574	20,686	17,839
Value-added tax recoverable	30,213	95,501	140,539
[**REDACTED**]	–	–	[**REDACTED**]
Due from related parties *(note)*	1,211,641	1,622,627	264
	1,326,903	1,853,549	270,798
Impairments	(2,837)	(3,526)	(3,069)
Subtotal	1,324,066	1,850,023	267,729
Non-current:			
Prepayments	59,087	27,589	77,211
Other receivables	8,761	12,278	950
Subtotal	67,848	39,867	78,161
Total	1,391,914	1,889,890	345,890

Note: Included in the Group's due from related parties were mainly unsecured advances of RMB1,200,000,000 and RMB1,606,000,000 as of 31 December 2023 and 2024, respectively. According to the agreements between the Group and the related parties, the applicable interest rate ranged from 2.85% to 3.60%, with the term from 21 November 2022 to 21 December 2025. All advances to related parties were early settled in June 2025. The remaining balances were non-trade in nature, unsecured, interest-free and repayable on demand, and will be settled prior to the [**REDACTED**].

The movements in the loss allowance for impairment of other receivables are as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,549	2,837	3,526
Impairment losses/(reversal of impairment) *(note 7)*	284	683	(464)
Exchange realignment	4	6	7
At end of year	2,837	3,526	3,069

An impairment analysis is performed at each reporting date by considering the expected credit losses which are estimated by applying a loss rate approach. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The Company

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
[REDACTED]	–	–	**[REDACTED]**
Due from related parties *(note)*	269,822	194,763	138,056
Total	269,822	194,763	144,376

Note: Included in the Company's due from related parties were mainly unsecured advances to a subsidiary (LigentCom) of RMB131,476,000, RMB133,438,000 and RMB130,476,000 as of 31 December 2023, 2024 and 2025, respectively. The balances also included dividends receivable from the Company's subsidiaries of RMB123,580,000, RMB52,341,000 and nil as of 31 December 2023, 2024 and 2025, respectively. The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

21. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of financial assets and contact assets	Impairment of inventories and PPE	Deferred income and accruals	Unrealized profits from intercompany transactions	Unpaid expense	Lease liabilities	Deductible tax loss	Share-based payments expense	Other intangible assets amortization	Fair value change of derivative financial instruments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	994	8,394	904	9,049	20,178	8,792	–	10,618	961	429	60,319
Deferred tax (charged)/ credited to the statement of profit or loss during the year *(note 11)*	(78)	(1,098)	1,890	(5,108)	(249)	269	–	(675)	65	(317)	(5,301)
Gross deferred tax assets at 31 December 2023	916	7,296	2,794	3,941	19,929	9,061	–	9,943	1,026	112	55,018
Deferred tax (charged)/ credited to the statement of profit or loss during the year *(note 11)*	(105)	5,200	600	2,582	120	6,020	77,571	11,267	(10)	884	104,129
Gross deferred tax assets at 31 December 2024	811	12,496	3,394	6,523	20,049	15,081	77,571	21,210	1,016	996	159,147
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 11)*	152	2,957	13,681	(4,320)	(16,923)	(3,124)	(25,222)	159	(91)	(996)	(33,727)
Gross deferred tax assets at 31 December 2025	963	15,453	17,075	2,203	3,126	11,957	52,349	21,369	925	–	125,420

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Financial assets designated as fair value through profit or loss	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2023	38,076	303	8,792	47,171
Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 11)*	7,578	733	269	8,580
Gross deferred tax liabilities at 31 December 2023	45,654	1,036	9,061	55,751
Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 11)*	89,091	(874)	6,020	94,237
Gross deferred tax liabilities at 31 December 2024	134,745	162	15,081	149,988
Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 11)*	5,374	270	(3,124)	2,520
Gross deferred tax liabilities at 31 December 2025	140,119	432	11,957	152,508

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position.

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the consolidated statements of financial position	3,941	9,159	2,203
Net deferred tax liabilities recognized in the consolidated statements of financial position	4,674	–	29,291

The Group has tax losses arising in Chinese mainland of RMB452,831,000 and RMB845,331,000 and RMB981,355,000 as at 31 December 2023, 2024 and 2025, respectively, that will expire in one to ten years for offsetting against future taxable profits.

The Group has tax losses arising in the United States of America of RMB193,462,000, RMB195,086,000 and RMB286,569,000 as at 31 December 2023, 2024 and 2025, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognized in respect of the following items:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Fair value change of financial liabilities at fair value through profit or loss	414,132	404,223	–
Share-based payments expense	68,546	–	–
Tax losses	646,293	1,040,417	1,267,924
Total	1,128,971	1,444,640	1,267,924

Deferred tax assets have not been recognized in respect of these tax losses and deductible temporary differences as they have arisen in the subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

At 31 December 2023, 2024 and 2025, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Qingdao Broadband established in Chinese mainland. The Company is certified as a resident enterprise in Chinese mainland. Dividends paid among resident enterprises are exempt from income tax.

At 31 December 2023, 2024 and 2025, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Groups subsidiaries established in Hong Kong and United States of America. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Hong Kong and United States of America for which deferred tax liabilities have not been recognized totaled approximately RMB55,614,000, RMB64,969,000 and RMB90,217,000 at 31 December 2023, 2024 and 2025, respectively.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	431,461	–	400,737

The wealth management products are purchased from creditworthy commercial banks in Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	138,503	260,906	1,273,617
Time deposits	–	11,380	11,580
Pledged deposits	40,738	59,157	54,785
Total	179,241	331,443	1,339,982

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents, time deposits and pledged deposits			
Denominated in			
– RMB	118,162	253,854	1,169,026
– USD	58,291	73,139	161,553
– SGD	–	–	6,882
– THB	2,096	3,558	1,987
– HKD	692	892	534
Total	179,241	331,443	1,339,982

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 December 2024 and 2025, time deposits were mature in between three months to one year when acquired by the Group and earn interest at the time deposit rates.

At the end of each of the Relevant Periods, pledged deposits were pledged to banks as collateral for issuance of bank acceptance bills.

At the end of each of the Relevant Periods, the Group have assessed the credit risk of cash and cash equivalents, time deposits and pledged deposits to be minimal as they were placed in reputable financial institutions.

24. DERIVATIVE FINANCIAL INSTRUMENTS

Assets

	Note	31 December 2023	31 December 2024	31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
Forward currency contracts	*(a)*	2,959	644	2,064

Liabilities

	Note	31 December 2023	31 December 2024	31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
Forward currency contracts	*(a)*	746	4,177	254

Note:

(a) The Group has entered into various forward currency contracts to manage its exchange rate exposures.

25. TRADE AND BILLS RECEIVABLES

	Note	31 December 2023	31 December 2024	31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
Trade receivables		1,037,719	1,875,372	1,696,806
Impairment		(881)	(1,513)	(2,119)
Trade receivables, net		1,036,838	1,873,859	1,694,687
Due from related parties	*(a)*	31,562	25,180	15,719
Bills receivables				
Commercial acceptance bills		3,225	45,530	56,552
Bank acceptance bills		119,476	39,265	13,680
		122,701	84,795	70,232
Trade and bills receivables		1,191,101	1,983,834	1,780,638

Note:

(a) The related parties here refer to Hisense Group Holding and its subsidiaries.

The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. At the end of the Relevant Periods, the Group had certain concentrations of credit risk as 55.1%, 71.6% and 71.6% of the Group's trade receivables were due from the Group's five largest customers, respectively. The Group had certain concentrations of credit risk as 47.1%, 22.6% and 29.8% of the Group's trade receivables were due from the Group's largest customer, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's bills receivables aged within six months were not past due. Bank acceptance bills that are measured at fair value through other comprehensive income are considered as having very low credit risk and the loss allowance is assessed to be minimal.

At 31 December 2024, the Group has pledged bills receivables of approximately RMB20,686,000 to secure a bank loan of the Group (note 28).

An aging analysis of the trade receivables as at the end of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,036,793	1,872,505	1,692,253
1 to 2 years	–	1,354	2,242
2 to 3 years	18	–	192
Over 3 years	27	–	–
	1,036,838	1,873,859	1,694,687
Due from related parties	31,562	25,180	15,719
Bills receivables	122,701	84,795	70,232
Total	1,191,101	1,983,834	1,780,638

The movements in the loss allowance for impairment of trade receivables are as follows:

	Notes	31 December 2023	31 December 2024	31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
At beginning of year		2,413	881	1,513
Impairment losses	*7*	–	632	647
Reversal of impairment losses	*7*	(1,531)	–	–
Exchange realignment		(1)	–	(41)
At end of year		881	1,513	2,119

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	*RMB'000*
Within 1 year	0.05%	1,037,322	529
1 to 2 years	0.00%	–	–
2 to 3 years	18.18%	22	4
Over 3 years	70.00%	90	63
		1,037,434	596
Related parties	0.00%	31,562	–
Individually assessed	100.00%	285	285
Total		1,069,281	881

As at 31 December 2024

	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	*RMB'000*
Within 1 year	0.05%	1,873,432	927
1 to 2 years	12.48%	1,547	193
2 to 3 years	0.00%	–	–
Over 3 years	100.00%	108	108
		1,875,087	1,228
Related parties	0.00%	25,180	–
Individually assessed	100.00%	285	285
Total		1,900,552	1,513

As at 31 December 2025

	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	*RMB'000*
Within 1 year	0.08%	1,693,583	1,330
1 to 2 years	13.84%	2,602	360
2 to 3 years	30.43%	276	84
Over 3 years	100.00%	49	49
		1,696,510	1,823
Related parties	0.00%	15,719	–
Individually assessed	100.00%	296	296
Total		1,712,525	2,119

26. INVENTORIES

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	380,364	629,265	981,940
Work in progress	377,516	628,665	645,295
Finished goods	351,858	561,963	905,821
	1,109,738	1,819,893	2,533,056
Provision for inventories	(49,123)	(73,896)	(106,680)
Total	1,060,615	1,745,997	2,426,376

The movements in provision for inventories are as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	52,030	49,123	73,896
Provision during the year	45,349	84,369	135,240
Less: Amounts written off	(48,342)	(59,688)	(102,633)
Exchange realignment	86	92	177
At the end of the year	49,123	73,896	106,680

27. CONTRACT ASSETS

	1 January 2023	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	7,844	6,171	2,605	2,165
Impairments	(1,786)	(2,522)	(605)	(900)
Net carrying amount	6,058	3,649	2,000	1,265

Contract assets are initially recognized for revenue earned from the sale of optical transceivers, optical chips and optical terminal products. After the warranty period ends, the amounts recognized as contract assets are reclassified to trade receivables. The decrease in contract assets for the years ended 31 December 2023, 2024 and 2025 was mainly due to the recovery of contract assets in historical years upon reaching the payment time point.

The expected timing of recovery or settlement for contract assets is as follows:

	1 January 2023	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,353	371	1,025	100
After one year	6,491	5,800	1,580	2,065
Total contract assets	7,844	6,171	2,605	2,165

The movements in the loss allowance for contract assets are as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,786	2,522	605
Impairment losses *(note 7)*	736	–	295
Reversal of impairment losses *(note 7)*	–	(1,917)	–
At end of year	2,522	605	900

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Expected credit loss rate	40.87%	23.22%	41.54%
Gross carrying amount	6,171	2,605	2,165
Expected credit losses	2,522	605	900

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

31 December 2023

	Effective interest rate	Maturity	
	%		*RMB'000*
Current			
Bank loans – Unsecured	2.60-2.80	2024	300,666
Other loans – Unsecured	3.43	2024	100,048
Current portion of long-term bank loans – Secured	2.80	2024	90,256
Total – current			490,970
Non-current			
Bank loans – Unsecured	2.80	2026	500,000
Bank loans – Secured	2.80	2026	210,000
Total – non-current			710,000
Total			1,200,970
Analyzed into:			
Bank loans repayable:			
Within one year or on demand			390,922
In the third to fifth years, inclusive			710,000
Subtotal			1,100,922

	Effective interest rate	Maturity	
	%		RMB'000
Other borrowings repayable:			
Within one year or on demand			100,048
Total			1,200,970

31 December 2024

	Effective interest rate	Maturity	
	%		RMB'000
Current			
Bank loans – Unsecured	2.30-2.60	2025	116,437
Bank loans – Secured	0.70-2.80	2025	120,853
Other loans – Unsecured	3.00-3.45	2025	1,357,304
Total – current			1,594,594
Non-current			
Bank loans – Unsecured	2.38-2.60	2026-2027	1,130,500
Bank loans – Secured	2.60	2026	110,000
Total – non-current			1,240,500
Total			2,835,094
Analyzed into:			
Bank loans repayable:			
Within one year or on demand			237,290
In the second year			702,500
In the third to fifth years, inclusive			538,000
Subtotal			1,477,790
Other borrowings repayable:			
Within one year or on demand			1,357,304
Total			2,835,094

As at 31 December 2025, all of the Group's and the Company's interest-bearing bank and other borrowings were fully settled.

Notes:

(a) Secured loans:

(i) As at 31 December 2023, certain of the Group's bank loans amounted to RMB300,256,000 were secured by corporate guarantee provided by Qingdao Hisense Network Energy Co., Ltd. and Qingdao Saiwei Electronic Information Service Co., Ltd. (both of which are the Company's fellow subsidiaries), of which RMB90,000,000 was reclassified to current portion of long-term bank loans based on the repayment plan. The loan was repaid during the year ended 31 December 2025.

(ii) As at 31 December 2024, certain of the Group's bank loans amounted to RMB230,853,000 were secured by corporate guarantee provided by Qingdao Hisense Network Energy Co., Ltd. and Qingdao Saiwei Electronic Information Service Co., Ltd. (both of which are the Company's fellow subsidiaries), of which RMB100,000,000 was reclassified to current portion of long-term bank loans based on the repayment plan. Certain of the borrowings amounted to RMB20,686,000 were secured by the bill receivables. The loan was repaid during the year ended 31 December 2025.

(b) All borrowings are denominated in RMB.

(c) The borrowing from the Agricultural Bank of China amounted to RMB200,000,000 and RMB400,000,000 as at 31 December 2023 and 31 December 2024, respectively, is subject to a covenant that requires an asset-liability ratio of less than 80%. The covenant is tested yearly, 31 December. The Group considers there is no indication that it will have difficulties in complying with this covenant. The covenant was discharged when the Group repaid the loan during the year ended 31 December 2025.

The borrowing from the China Development Bank amounted to RMB300,000,000 and RMB210,000,000 as at 31 December 2023 and 31 December 2024, respectively, is subject to a covenant that requires an asset-liability ratio of less than 80%, Ligent Technologies, Inc. holds more than 51% equity interests of Qingdao Broadband and Hisense Group Holding has control over the guarantors, Qingdao Hisense Network Energy Co., Ltd. and Qingdao Saiwei Electronic Information Service Co., Ltd. The Group considers there is no indication that it will have difficulties in complying with these covenants. These covenants were discharged when the Group repaid the loan during the year ended 31 December 2025.

29. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,187,286	1,677,555	2,718,804
1 to 2 years	1,619	1,378	444
2 to 3 years	1,298	38	1
Over 3 years	6,891	96	134
Total	1,197,094	1,679,067	2,719,383

The trade payables are non-interest-bearing and are normally settled on 30-90 days terms.

30. OTHER PAYABLES AND ACCRUALS

The Group

	Notes	31 December 2023	31 December 2024	31 December 2025
		RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	*(a)*	2,311	1,971	2,224
Payroll and welfare payable		473,862	470,501	263,965
Other tax payables		9,237	8,950	13,378
Other payables	*(b)*	161,215	293,602	226,039
Due to related parties	*41*	13,910	20,277	10,324
Other current liabilities		267	218	4,006
Total		660,802	795,519	519,936

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sale of optical transceivers, optical chips and optical terminal products	2,241	2,311	1,971	2,224

Contract liabilities include short-term advances received to deliver optical transceivers, optical chips and optical terminal products.

(b) Other payables are non-interest-bearing, unsecured and repayable on demand.

The Company

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Other payables	119	74	4,009
Due to related parties	467,167	457,877	56,722
Total	467,286	457,951	60,731

31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2011, the Company issued 2,632,879 ordinary shares to an investor (the "Investor") of the Company at a price of US$7.60 per share with a par value of US$1.00 each. In 2013, the Company issued additional 39,736 ordinary shares to the Investor of the Company at a price of US$7.70 per share with a par value of US$1.00 each. The Investor made a total investment of US$20,305,969, approximately equal to RMB131,286,000.

Pursuant to the share subscription agreement, the Investor shall have the right to require the Company to repurchase all or part of the ordinary shares held by the Investor.

A shareholder of the Company has the redemption right for the amounts invested and the key terms of the ordinary share redemption are summarized as follows:

(a) Redemption feature

If the Company fails to complete an initial public offering by the forty-two months of the settlement date, the investors may initiate to request the Company to redeem all or part of the ordinary shares (the "Redemption").

The redemption price for each ordinary share of the Company shall be an amount equal to the subscription price, plus the Group's accumulated retained earnings attributable to each ordinary share since the settlement date.

(b) Presentation and classification

The redemption obligations give rise to financial liabilities, the Group designated the financial liabilities as financial liabilities measured at fair values through profit or loss. Changes in fair value of financial liabilities at fair value through profit or loss were recorded in "Fair value changes of financial liabilities at fair value through profit or loss".

In August 2025, the Company signed a termination agreement ("Termination Agreement") with the Investor. Pursuant to the Termination Agreement, the redemption right of the Investor shall be terminated on the date of this agreement, rather than void ab initio, and such redemption right would be reinstated upon occurrence of certain events.

In September 2025, the Company and the Investor agreed to make certain amendments to the Termination Agreement. Pursuant to the amendments, the provision that would have allowed the Investor's redemption right to be reinstated upon occurrence of certain events was permanently removed. Accordingly, the financial liabilities were transferred to equity (note 35).

32. REDEMPTION LIABILITIES

	Notes	31 December 2023	31 December 2024	31 December 2025
		RMB'000	RMB'000	RMB'000
Redemption liabilities on a subsidiary's shares	(a)	–	–	216,937
Redemption liabilities on the Company's shares	(b)	–	–	322,015
Total		–	–	538,952

Notes:

(a) In July 2025, the Company, Hisense Group Holding, Qingdao Broadband and Xiamen Torch Industry Equity Investment Management Co., Ltd. ("Torch Industry") signed the agreement, which stipulates that Torch Industry will increase its capital in Xiamen Lianzhiguang, the subsidiary of the Group, by RMB220,000,000.

(1) Redemption feature

Within eight years after the completion of the capital injection by Torch Industry in Xiamen Lianzhiguang, if Xiamen Lianzhiguang fails to complete the qualified listing, Torch Industry has the right to issue a written repurchase notice at any point within two years starting from the ninth year after the completion of the capital injection, in order to request the repurchase of the corresponding equity. Torch Industry should first issue a repurchase notice to Xiamen Lianzhiguang, and Qingdao Broadband shall bear joint and several liability for the repurchase obligation of Xiamen Lianzhiguang. If Xiamen Lianzhiguang fails to fulfill its repurchase obligation, Torch Industry has the right to require Qingdao Broadband to fulfill the repurchase obligation.

The repurchase price is determined as the sum of the capital injection amount and the simple interest calculated at the annual interest rate of the Loan Prime Rate ("LPR") for terms over five years.

(2) Presentation and classification

Based on the above terms, the redemption obligations give rise to financial liabilities, the Group designated the financial liabilities as financial liabilities measured at amortized cost.

As at 31 December 2025, the Group has recognized the redemption liabilities on a subsidiary's shares of RMB216,937,000.

(b) On 24 July 2025, the Company, Xiamen Guojuxiang Equity Investment Partnership Enterprise (Limited Partnership) ("Xiamen Guojuxiang"), Xiamen Advanced Manufacturing Equity Investment Fund Partnership Enterprise (Limited Partnership) ("Xiamen Advanced Manufacturing Fund") and Xiamen TorchRunxin Technology Equity Investment Fund Partnership Enterprise (Limited Partnership) ("Xiamen TorchRunxin") signed the agreement, which stipulates that Xiamen Guojuxiang, Xiamen Advanced Manufacturing Fund and Xiamen TorchRunxin will increase their capital in the Company by RMB330,000,000.

(1) Redemption feature

Within eight years after the completion of the capital injection by Xiamen Guojuxiang, Xiamen Advanced Manufacturing Fund and Xiamen TorchRunxin in the Company, if the Company fails to complete the qualified listing, they have the right to request the Company to repurchase all or part of the shares they hold. In August 2025, the capital injection was completed.

The repurchase price is determined as the sum of the capital injection amount and the simple interest calculated at the annual interest rate of the LPR for terms over five years.

(2) Presentation and classification

Based on the above terms, the redemption obligations give rise to financial liabilities, the Group designated the financial liabilities as financial liabilities measured at amortized cost.

As at 31 December 2025, the Group has recognized the redemption liabilities on the Company's shares of RMB322,015,000.

33. SHARE CAPITAL

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Authorized and fully paid: 15,045,024 ordinary shares with par value of USD1.00 each as at 31 December 2023 and 2024, and 810,926,800 ordinary shares with par value of USD0.20 each as at 31 December 2025	100,744	100,744	109,134

A summary of movements in the Company's share capital during the Relevant Periods is as follows:

	Notes	Number of shares in issue	Share capital
			RMB'000
1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024 and 1 January 2025		15,045,024	100,744
New issues	*(a)*	1,173,512	8,390
		16,218,536	109,134
Share sub-division	*(b)*	794,708,264	–
At 31 December 2025		810,926,800	109,134

Notes:

(a) On 29 July 2025, the Company issued 677,026 ordinary shares at USD1.00 to Hisense CKL (HK) Co Limited ("CKL"), which resulted in proceeds of USD62,861,453.36 (equivalent to RMB450,000,000).

On 31 July 2025, the Company issued 212,210 ordinary shares at USD1.00 to Xiamen Guojuxiang, which resulted in proceeds of RMB141,050,000.

On 1 August 2025, the Company issued 209,051 and 75,225 ordinary shares at USD1.00 to Xiamen Advanced Manufacturing Fund and Xiamen TorchRunxin, which resulted in proceeds of RMB138,950,000 and RMB50,000,000, respectively.

(b) Pursuant to a resolution passed at the board meeting held on 11 August 2025, the Company proceeded with a share sub-division that each of the ordinary shares of USD1.00 par value was subdivided into 50 ordinary shares with a par value of USD0.02 each.

34. TREASURY SHARES

The Company's treasury shares were acquired from its shareholders and are held for the Group's share-based payment scheme.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(a) Capital reserve

The capital reserve represents capital contribution of the Group and share-based payment granted by Hisense Group Holding. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(b) Share-based payment reserve

The share-based payment reserve represents the share awards granted by the Group. Details of the movement in share-based payment reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve arises from the translation of the financial information of entities of which the functional currency is not RMB.

(d) The Company's reserves as at 31 December 2023, 2024 and 2025 primarily consisted of retained profits of RMB173,026,000, RMB122,195,000 and RMB48,912,000, respectively. Additionally, the reserves included debit capital reserve of RMB153,239,000, RMB143,331,000 as at 31 December 2023 and 2024, respectively, and credit capital reserve of RMB711,555,000 as at 31 December 2025.

The movements in retained profits during the Relevant Periods were related to the net profit of the Company of RMB122,776,000, RMB72,749,000 and net loss of RMB22,010,000, respectively, and dividends declared by the Company (note 12) during the years ended 31 December 2023, 2024 and 2025, respectively. The movements in capital reserve during the Relevant Periods were related to the deemed settlement of financial liabilities at fair value through profit or loss of RMB46,083,000, RMB21,953,000 and RMB9,108,000 (note 12), respectively.

In September 2025, the Company and the Investor agreed to make certain amendments to the Termination Agreement. Pursuant to the amendments, the provision that would have allowed the Investor's redemption right to be reinstated upon occurrence of certain events was permanently removed (note 31). Accordingly, financial liabilities at fair value through profit or loss of RMB511,388,000 arising from this redemption right and the capital reserve of RMB319,270,000 were fully transferred to retained profits, totaling RMB830,658,000.

36. SHARE-BASED PAYMENTS

Share Incentive Scheme

(1) Share Incentive Scheme

For the purpose of awarding the employees of the Group to secure their services and incentivize their maximum effort towards the Group's success, the Group granted shares to these employees and there are certain restrictions on the shares awarded.

(2) Hisense Group Holding

Hisense Group Holding implemented various equity incentive programs for the Group's employees. The Group's employees were allowed to purchase shares in Hisense Group Holding and there are certain restrictions on the share awarded.

During the years ended 31 December 2023, 2024 and 2025, the share-based payment expenses of RMB7,117,000, RMB6,568,000 and RMB13,107,000 were charged to profit or loss, respectively.

The Group's share-based payments were valued by Asia-Pacific Consulting and Appraisal Limited, the independent professionally qualified valuers. The values of share-based payment calculated using the option pricing model by applying the income approach to determine the fair value of ordinary shares with the additional discount for restriction on these share awards and lack of liquidity.

37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets	10,094	51,097	31,730
Lease liabilities	10,094	51,097	31,730

(b) Changes in liabilities arising from financing activities

31 December 2023

	Interest-bearing bank and other borrowings	Lease liabilities	Dividends payables
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	700,639	51,418	2,852
Changes from financing cash flows	474,388	(14,359)	(248,609)
Dividend declared	–	–	259,420
New leases	–	10,094	–
Interest expense	25,943	2,477	–
Exchange realignment	–	160	–
As at 31 December 2023	1,200,970	49,790	13,663

31 December 2024

	Interest-bearing bank and other borrowings	Lease liabilities	Dividends payables
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024	1,200,970	49,790	13,663
Changes from financing cash flows	1,581,748	(18,063)	(123,580)
Dividend declared	–	–	123,580
New leases	–	51,097	–
Interest expense	52,376	4,040	–
Exchange realignment	–	246	–
As at 31 December 2024	2,835,094	87,110	13,663

31 December 2025

	Interest-bearing bank and other borrowings	Lease liabilities	Dividends payables	Redemption liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	2,835,094	87,110	13,663	–
Changes from financing cash flows	(2,870,851)	(20,291)	(64,936)	–
Dividend declared	–	–	51,273	–
New leases	–	31,730	–	–
Redemption liabilities on a subsidiary's shares	–	–	–	213,850
Redemption liabilities on the Company's shares	–	–	–	320,946
Interest expense	35,757	3,896	–	7,730
Termination	–	(15,188)	–	–
Exchange realignment	–	(36)	–	(3,574)
As at 31 December 2025	–	87,221	–	538,952

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	7,335	8,037	5,981
Within financing activities	14,359	18,063	20,291
Total	21,694	26,100	26,272

38. CONTINGENT LIABILITIES

As at the end of Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

39. PLEDGE OF ASSETS

Details of the Group's pledged assets, including the Group's bank deposits, are disclosed in note 23 to the financial statements.

40. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Purchases of items of property, plant and equipment	72,642	54,958	104,258

41. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods:

	Notes	31 December 2023	31 December 2024	31 December 2025
		RMB'000	RMB'000	RMB'000
Hisense Group Holding and its subsidiaries:				
Purchases of goods or services	(i)	203,273	309,594	219,989
Sales of goods or services	(ii)	15,238	6,555	7,021
Purchases of property, plant and equipment	(iii)	19,001	7,135	5,447
Disposal of property, plant and equipment		91	11	–
Other operating expenses	(iv)	7,446	9,767	9,777
Rental income	(v)	596	745	482
Interest expenses	(vi)	861	16,610	18,374
Interest income	(vii)	27,032	40,030	20,837
Others		24	86	414
A Joint venture:				
Sales of goods or services	(ii)	377	195	–
An associate of Hisense Group Holding:				
Purchases of goods or services	(i)	369	398	2,956
Hisense Investment* and its subsidiaries:				
Purchases of goods or services	(i)	–	–	3,277
Purchases of property, plant and equipment		–	–	30
Other operating expenses	(iv)	–	–	629
Rental income	(v)	–	–	146
An associate of Hisense Investment*:				
Purchases of goods or services	(i)	–	–	214

* Qingdao Hisense Investment Development Co., Ltd. ("Hisense Investment"), a company incorporated in the PRC on June 30, 2025 and held by the same group of shareholders as Hisense Group Holding.

Notes:

(i) The purchases were made according to the published prices and conditions offered by the related parties to their major customers.

(ii) The sales were made according to the published prices and conditions offered to the major customers of the Group.

(iii) Purchases of property, plant and equipment from related parties are mainly projects under construction, of which the reason for the larger amount in 2023 is the purchase of the construction in progress of the Liaoning Road apartment from Qingdao Jingyang Xinda Industrial Co., Ltd., which will be converted into a building in 2024.

(iv) Other operating expenses are mainly the cost of leasing buildings, plant and machinery from related parties.

(v) Rental income mainly refers to the income from leasing buildings, plant and machinery to related parties.

(vi) Interest expenses mainly refer to the interest costs incurred from obtaining advances from Hisense Finance Co., Ltd. ("Hisense Finance"), which is ultimately controlled by the same controlling party with the Group.

(vii) Interest income mainly refers to the interest earned by lending to Hisense Communication Co., Ltd., which is ultimately controlled by the same controlling party with the Group.

(b) Outstanding balances with related parties

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Hisense Group Holding and its subsidiaries:			
Trade related:			
Current assets:			
Trade and bills receivables	31,562	25,180	15,719
Current liabilities:			
Trade payables	21,556	18,947	20,147
Non-Trade related:			
Current assets:			
Pledged deposits	40,738	59,157	54,785
Cash and cash equivalents	62,214	160,358	483,513
Prepayments and other receivables	1,203,352	1,608,036	264
Subtotal	1,306,304	1,827,551	538,562
Current liabilities:			
Lease liabilities	5,465	9,302	11,894
Short-term borrowings	100,048	1,357,304	–
Other payables and accruals	247	6,605	10,236
Subtotal	105,760	1,373,211	22,130
Non-current assets:			
Right of use assets	30,315	59,062	56,617
Prepayments and other receivables	1,930	580	580
Subtotal	32,245	59,642	57,197
Non-current liabilities:			
Lease liabilities	26,800	51,477	46,954
A Joint venture:			
Trade related:			
Current assets:			
Trade receivables	10	–	–
Qingdao Bolangde Broadband Co., Ltd., the shareholder of the Company:			
Non-Trade related:			
Current assets:			
Prepayments and other receivables	8,289	14,591	–
Current liabilities:			
Other payables and accruals	427,794	417,886	–
An associate of Hisense Group Holding			
Non-Trade related:			
Current liabilities:			
Other payables and accruals	–	8	50
An associate of Hisense investment			
Non-Trade related:			
Current liabilities:			
Other payables and accruals	–	–	38
Total	–	–	38

Note: The outstanding non-trade balances with related parties as at 31 December 2023, 2024, and 2025 were unsecured, interest-free and repayable on demand, and will be settled prior to the [**REDACTED**].

(c) Compensation of key management personnel of the Group:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	10,062	10,603	10,442
Performance related bonuses	754	2,975	12,354
Profit sharing bonus	4,394	1,916	3,824
Pension scheme contributions	931	985	1,109
Share-based payments	1,713	3,217	6,030
Total compensation paid to key management personnel	17,854	19,696	33,759

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	1,068,400	1,068,400
Bills receivables	–	119,476	3,225	122,701
Financial assets included in prepayments and other receivables	–	–	1,262,352	1,262,352
Contract assets	–	–	3,649	3,649
Financial assets at fair value through profit or loss	431,461	–	–	431,461
Derivative financial instruments	2,959	–	–	2,959
Pledged deposits	–	–	40,738	40,738
Cash and cash equivalents	–	–	138,503	138,503
Total	434,420	119,476	2,516,867	3,070,763

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	1,197,094	1,197,094
Financial liabilities included in other payables and accruals	–	161,215	161,215
Financial liabilities at fair value through profit or loss	414,132	–	414,132
Derivative financial instruments	746	–	746
Interest-bearing bank and other borrowings	–	1,200,970	1,200,970
Total	414,878	2,559,279	2,974,157

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	1,899,039	1,899,039
Bills receivables	–	39,265	45,530	84,795
Financial assets included in prepayments and other receivables	–	–	1,747,566	1,747,566
Contract assets	–	–	2,000	2,000
Derivative financial instruments	644	–	–	644
Time deposits	–	–	11,380	11,380
Pledged deposits	–	–	59,157	59,157
Cash and cash equivalents	–	–	260,906	260,906
Total	644	39,265	4,025,578	4,065,487

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	1,679,067	1,679,067
Financial liabilities included in other payables and accruals	–	293,602	293,602
Financial liabilities at fair value through profit or loss	404,223	–	404,223
Derivative financial instruments	4,177	–	4,177
Interest-bearing bank and other borrowings	–	2,835,094	2,835,094
Total	408,400	4,807,763	5,216,163

As at 31 December 2025

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	1,710,406	1,710,406
Bills receivables	–	13,680	56,552	70,232
Financial assets included in prepayments and other receivables	–	–	156,523	156,523
Contract assets	–	–	1,265	1,265
Financial assets at fair value through profit or loss	400,737	–	–	400,737
Derivative financial instruments	2,064	–	–	2,064
Time deposits	–	–	11,580	11,580
Pledged deposits	–	–	54,785	54,785
Cash and cash equivalents	–	–	1,273,617	1,273,617
Total	402,801	13,680	3,264,728	3,681,209

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	2,719,383	2,719,383
Financial liabilities included in other payables and accruals	–	226,039	226,039
Redemption liabilities	–	538,952	538,952
Derivative financial instruments	254	–	254
Total	254	3,484,374	3,484,628

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		
	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Bills receivables	119,476	39,265	13,680
Financial assets at fair value through profit or loss	431,461	–	400,737
Derivative financial instruments	2,959	644	2,064
Total	553,896	39,909	416,481

	Fair values		
	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Bills receivables	119,476	39,265	13,680
Financial assets at fair value through profit or loss	431,461	–	400,737
Derivative financial instruments	2,959	644	2,064
Total	553,896	39,909	416,481

	Carrying amounts		
	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Financial liabilities at fair value through profit or loss	414,132	404,223	–
Derivative financial instruments	746	4,177	254
Total	414,878	408,400	254

	Fair values		
	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Financial liabilities at fair value through profit or loss	414,132	404,223	–
Derivative financial instruments	746	4,177	254
Total	414,878	408,400	254

Management has assessed that the fair values of cash and cash equivalents, the current portion of time deposits, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments and other receivables, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of pledged deposits, interest-bearing bank and other borrowings, redemption liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

Fair value hierarchy

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	–	119,476	–	119,476
Financial assets at fair value through profit or loss	–	431,461	–	431,461
Derivative financial instruments	–	2,959	–	2,959
Total	–	553,896	–	553,896

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	–	39,265	–	39,265
Derivative financial instruments	–	644	–	644
Total	–	39,909	–	39,909

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	–	13,680	–	13,680
Financial assets at fair value through profit or loss	–	400,737	–	400,737
Derivative financial instruments	–	2,064	–	2,064
Total	–	416,481	–	416,481

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	–	414,132	–	414,132
Derivative financial instruments	–	746	–	746
Total	–	414,878	–	414,878

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	–	404,223	–	404,223
Derivative financial instruments	–	4,177	–	4,177
Total	–	408,400	–	408,400

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments	–	254	–	254
Total	–	254	–	254

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

The Group's principal financial instruments, other than derivatives, include interest-bearing bank and other borrowings, redemption liabilities, and cash and deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the Historical Financial Information.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
As at 31 December 2023			
RMB	50.00	(3,802)	(3,802)
RMB	(50.00)	3,802	3,802
As at 31 December 2024			
RMB	50.00	(6,552)	(6,552)
RMB	(50.00)	6,552	6,552
As at 31 December 2025			
RMB	50.00	–	–
RMB	(50.00)	–	–

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group adopts the method of purchasing forward foreign exchange contracts to maintain the principle of exchange rate neutrality.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in USD and THB exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/(decrease) in foreign currency/ RMB rate	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	rate %	*RMB'000*	*RMB'000*
As at 31 December 2023			
If RMB weakens against USD	5	(7,999)	(7,999)
If RMB strengthens against USD	(5)	7,999	7,999
If RMB weakens against THB	5	(62)	(62)
If RMB strengthens against THB	(5)	62	62
As at 31 December 2024			
If RMB weakens against USD	5	(5,563)	(5,563)
If RMB strengthens against USD	(5)	5,563	5,563
If RMB weakens against THB	5	(6,310)	(6,310)
If RMB strengthens against THB	(5)	6,310	6,310
As at 31 December 2025			
If RMB weakens against USD	5	(1,524)	(1,524)
If RMB strengthens against USD	(5)	1,524	1,524
If RMB weakens against THB	5	(1,720)	(1,720)
If RMB strengthens against THB	(5)	1,720	1,720

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and staging as at 31 December 2023, 2024 and 2025

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,068,400	1,068,400
Bills receivables	–	–	–	122,701	122,701
Financial assets included in prepayments and other receivables					
– Normal**	1,262,352	–	–	–	1,262,352
– Doubtful**	–	–	2,837	–	2,837
Cash and cash equivalents					
– Not yet past due	138,503	–	–	–	138,503
Pledged deposits	40,738	–	–	–	40,738
Total	1,441,593	–	2,837	1,191,101	2,635,531

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,899,039	1,899,039
Bills receivables	–	–	–	84,795	84,795
Financial assets included in prepayments and other receivables					
– Normal**	1,747,566	–	–	–	1,747,566
– Doubtful**	–	–	3,526	–	3,526
Cash and cash equivalents					
– Not yet past due	260,906	–	–	–	260,906
Time deposits	11,380	–	–	–	11,380
Pledged deposits	59,157	–	–	–	59,157
Total	2,079,009	–	3,526	1,983,834	4,066,369

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,710,406	1,710,406
Bills receivables	–	–	–	70,232	70,232
Financial assets included in prepayments and other receivables					
– Normal**	156,523	–	–	–	156,523
– Doubtful**	–	–	3,069	–	3,069
Cash and cash equivalents					
– Not yet past due	1,273,617	–	–	–	1,273,617
Time deposits	11,580	–	–	–	11,580
Pledged deposits*	54,785	–	–	–	54,785
Total	1,496,505	–	3,069	1,780,638	3,280,212

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 25 and 27 to the Historical Financial Information, respectively.

** The credit quality of the financial assets included in prepayments and other receivables are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets are considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the Historical Financial Information.

Concentrations of credit risk are managed by customers. Credit risk management is centralized according to customers. At the end of the Relevant Periods, the Group had certain concentrations of credit risk as 55.1%, 71.6% and 71.6% of the book balance of the Group's trade receivables were due from the Group's five largest customers, respectively.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance for continuity of funding to finance its working capital needs as well as capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2023		
	Within one year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	1,197,094	–	1,197,094
Derivative financial instruments	746	–	746
Financial liabilities at fair value through profit or loss	414,132	–	414,132
Interest-bearing bank and other borrowings	500,210	753,876	1,254,086
Lease liabilities	10,327	57,640	67,967
Total	2,122,509	811,516	2,934,025

	31 December 2024		
	Within one year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	1,679,067	–	1,679,067
Derivative financial instruments	4,177	–	4,177
Financial liabilities at fair value through profit or loss	404,223	–	404,223
Interest-bearing bank and other borrowings	1,627,678	1,324,990	2,952,668
Lease liabilities	19,609	100,337	119,946
Total	3,734,754	1,425,327	5,160,081

	31 December 2025			
	Within one year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	2,719,383	–	–	2,719,383
Derivative financial instruments	254	–	–	254
Redemption liabilities	–	–	704,000	704,000
Lease liabilities	26,844	88,835	–	115,679
Total	2,746,481	88,835	704,000	3,539,316

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital management.

The gearing ratios as the end of each of the Relevant Periods were as follows:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities	49,790	87,110	87,221
Interest-bearing bank and other borrowings	1,200,970	2,835,094	–
Redemption liabilities	–	–	538,952
Trade and bills payables	1,197,094	1,679,067	2,719,383
Financial liabilities at fair value through profit or loss	414,132	404,223	–
Less: Cash and cash equivalents	(138,503)	(260,906)	(1,273,617)
Net debt	2,723,483	4,744,588	2,071,939
Equity attributable to owners of the parent	1,933,574	1,928,276	3,704,956
Capital and net debt	4,657,057	6,672,864	5,776,895
Gearing ratio	58.5%	71.1%	35.9%

45. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred between the reporting date and the date of authorization of the Historical Financial Information.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to 31 December 2025.