You should read the following discussion and analysis in conjunction with our consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this document, including those set forth in "Risk Factors" and "Forward-Looking Statements" in this document.

OVERVIEW

We are a leading global provider of laser chips. Leveraging our deep expertise in optoelectronic semiconductor design and manufacturing, we provide high-reliability, high-speed laser chips at scale with consistent quality to enable advanced data interconnectivity. Our core product portfolio, including CW lasers, EMLs and DFB lasers, serves critical applications across AI data centers, 5G infrastructure and fiber access networks. According to CIC, measured by revenue from external sales in 2025, we ranked as the sixth largest laser chip provider globally and the second largest provider of laser chips for SiPh-based high-speed optical interconnect products globally.

During the Track Record Period, we experienced strong revenue growth. Our revenue increased by 74.6% from RMB144.4 million in 2023 to RMB252.2 million in 2024, and further by 138.5% to RMB601.4 million in 2025. In particular, our revenue derived from the sales of data center laser chips increased significantly from RMB4.6 million in 2023 to RMB48.0 million in 2024, and further to RMB393.3 million in 2025, primarily driven by continued growth in sales volume of data center laser chips amid increasing market demand for data center optical interconnect solutions. Our net profit and loss position fluctuated during the Track Record Period. We recorded a net profit of RMB19.5 million in 2023, a net loss of RMB6.1 million in 2024, and a net profit of RMB190.9 million in 2025. In addition, we recorded an adjusted net profit (non-IFRS measure) of RMB23.0 million in 2023, an adjusted net loss (non-IFRS measure) of RMB2.5 million in 2024, and an adjusted net profit (non-IFRS measure) of RMB223.1 million in 2025.

BASIS OF PREPARATION

Our historical financial information has been prepared based on the accounting policies which conform with IFRS Accounting Standards, a collective term that includes individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by International Accounting Standards Board ("**IASB**"). In addition, our historical financial information includes the applicable disclosures requirements of the Companies Ordinance and the Listing Rules. For the purpose of preparing our historical financial information, we have adopted the accounting policies which conform with all applicable new and revised IFRS Accounting Standards that are effective during the Track Record Period, consistently throughout the Track

Record Period. The new and amendments to IFRS Accounting Standards that have been issued but are not effective and have not been early adopted are set out in Note 3 to the Accountants' Report set out in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by a number of general factors, including: (i) overall economic growth and conditions in China and globally; (ii) technological advancement in the industry in which we operate; (iii) geopolitical relations; and (iv) regulatory oversight and government policies.

In addition, our business and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

Evolution of Our Product Portfolio and Product Mix

Our ability to offer a comprehensive portfolio of laser chips that addresses the evolving demand of downstream players and end users is a key factor affecting our financial condition and results of operations. We primarily offer data center laser chips and telecommunications laser chips, each of which exhibits distinct demand characteristics and pricing dynamics. Over time, we have strategically expanded our product portfolio to cover a broader range of transmission rates and application scenarios, while progressively shifting toward higher-performance and more advanced products. This deliberate evolution has been critical to our financial performance, enabling us to address an increasingly diverse set of customer requirements and use cases. By meeting the growing demand for high-speed, high-reliability laser chips across various applications, we have strengthened our market position, deepened customer relationships, and unlocked new revenue opportunities.

Our diverse product portfolio commands varying selling prices and margin profiles. These variations are driven by differences in technical complexity, manufacturing intricacies, customer specifications, competitive dynamics, and strategic product positioning. Changes in our product mix, including the relative contributions of data center and telecommunications laser chip products, as well as the adoption of higher-performance products, can have a significant impact on our overall revenue composition and profitability. For example, in 2025, our data center laser chip product line achieved an overall gross profit margin of 71.3%, significantly higher than the 25.9% gross profit margin of our telecommunications laser chip product line. As a result, shifts in revenue mix, such as increased sales of higher-margin data center laser chips, can materially influence our overall gross profit margin and financial performance. In 2023, 2024 and 2025, our revenue from the sales of data center laser chips amounted to RMB4.6 million, RMB48.0 million and RMB393.3 million, respectively, while our revenue from the sales of telecommunications laser chips amounted to RMB133.1 million, RMB202.3 million and RMB206.5 million, respectively. Driven by the significant increase in the revenue contribution from our high-margin data center laser chips, our overall gross profit margin improved substantially from 23.4% in 2024 to 55.7% in 2025.

Our product offerings may continue to evolve in response to changes in market conditions, customer preferences and technological advancements. As new products are commercialized and adopted by customers, changes in product composition may affect our results of operations and financial condition.

Demand from Downstream Markets and End Users

Our financial performance and business growth are closely tied to the development of the optical chip market and the demand dynamics of its downstream applications. While our direct customers are optical interconnect solution providers, our products are ultimately used in two major application areas: data centers and telecommunications. As a result, the development and growth of these sectors have a significant impact on our business.

The data center market, driven by the rapid adoption of data-intensive technologies such as AI, has shown strong growth momentum. This has created intense end-user demand for higher data transmission rates and improved connectivity performance, offering robust growth potential for high-performance optical interconnect solutions. In contrast, the telecommunications market is relatively mature, with more stabilized demand supported by ongoing network maintenance and steady infrastructure upgrades, such as fiber access networks and 5G wireless communication infrastructure.

Optical interconnects have become critical to meeting the requirements of these sectors, with optical transceivers serving as the core components. Laser chips, our core business focus, are essential to the performance and functionality of these optical transceivers. According to CIC, the global laser chip market is projected to grow from US$2.6 billion in 2024 to US$22.9 billion in 2030, representing a CAGR of 44.1%.

Given the strong linkage between our business and the capital expenditure cycles, network deployment plans, and technology upgrade timelines of downstream industries, any fluctuations in demand or delays in infrastructure deployment in these sectors could directly impact our customers' procurement volumes, and consequently, our revenue and profitability.

Customer Relationships and Customer Base

Our ability to maintain stable relationships with existing customers and to expand our customer base affects our business scale, results of operations and financial condition. We have established strong relationships with leading players in the optical interconnect industry, who collectively account for significant market shares. We are committed to maintaining stable collaborations with these existing customers, as long-term customer relationships provide us with enhanced revenue visibility and more predictable demand, allowing for optimized utilization of our research and development and manufacturing capabilities. Furthermore, leveraging these deep partnerships, we gain first-hand insights into evolving technical requirements across AI computing and data center interconnect applications. Such early visibility enables us to align our product development with next-generation integration technologies. Over time, this creates a virtuous cycle in which close customer collaboration drives innovation, and our sustained technical leadership further consolidates our position as a preferred long-term partner.

Our future growth also depends on our ability to attract new customers and expand our penetration within existing markets. We seek to expand our customer base by leveraging our advanced technologies, reliable execution capabilities, proven track record in meeting stringent technical and quality standards, responsiveness to customers' evolving requirements and increasingly demanding performance specifications, as well as our ability to continuously enhance our product offerings and customer support capabilities. We believe that strengthening ties with industry leaders while diversifying our customer base will further enhance our market position, mitigate customer concentration risks and ensure the long-term sustainability of our financial performance.

Production Capacity and Utilization Rate

Our production capacity and manufacturing processes directly affect our ability to meet customer demand, achieve timely volume production and support revenue growth. Operating under an IDM model, we have mastered the core technologies of laser chip manufacturing, with in-house capabilities spanning chip design, wafer fabrication, chip processing, packaging and testing. Such IDM model allows us to shorten product development cycles, achieve independent and controllable laser chip manufacturing, respond quickly to customer requirements and efficiently provide corresponding solutions, thereby enabling us to react rapidly to dynamic market demand. The utilization rate of our manufacturing facilities in 2023, 2024 and 2025 was 74.2%, 68.1%, and 90.1%, respectively. Changes in utilization rates may affect our production efficiency, cost level and overall profitability.

We expanded our production capacity during the Track Record Period. Our capital expenditures, which consisted of purchase of property, plant and equipment and intangible asset, were RMB67.2 million, RMB105.9 million and RMB409.4 million in 2023, 2024 and 2025, respectively. In response to the market growth and increasingly stringent customer requirements, we continue to enhance our manufacturing processes through automation and equipment upgrades to improve production efficiency and product quality. Given the long lead times for the procurement and installation of certain sophisticated manufacturing equipment, our ability to accurately forecast market demand and implement long-term capacity planning is critical to avoiding production bottlenecks. The success of our expansion strategy also depends on, among others, our ability to execute expansion plans, complete construction and equipment installation on schedule, maintain stable production yields, and manage capital expenditures efficiently. As we continue to expand production capacity and advance manufacturing automation, we expect to continue to incur substantial capital expenditures, which may be adjusted according to our development plans, market conditions or other factors.

Technology Innovation and Product Iteration

Our success depends on our ability to continuously develop and commercialize new products through technological innovation and product iteration. The laser chip industry is characterized by high technological barriers, intricate manufacturing process and relatively rapid technology upgrade cycles, particularly as increasing data traffic drives demand for higher transmission rates and performance levels. As such, our development of next-generation laser chips would require continuous and forward-looking R&D investment and strong execution capabilities to validate our R&D results.

Laser chip development generally involves long development cycles and significant upfront investment. During the Track Record Period, we continuously invested in the technology innovation and iteration of laser chips with higher power and transmission rates. Our research and development expenses increased by 76.2% from RMB30.9 million in 2023 to RMB54.5 million in 2024, and further by 48.3% to RMB80.8 million in 2025. We expect to continue investing significant resources in R&D activities for technological breakthroughs, and the level and effectiveness of such investments may affect our future competitiveness and operating performance.

Ability to Improve Operational Efficiency

Our profitability depends in part on our ability to enhance operational efficiency as our business scales. Our cost of sales primarily consisted of manufacturing costs, labor costs, and raw material costs, which amounted to RMB102.9 million, RMB193.3 million and RMB266.6 million in

2023, 2024 and 2025, respectively. The increase in cost of sales during the Track Record Period was primarily attributable to our business expansion and increased sales volume. In 2023, 2024 and 2025, we recorded gross profit of RMB41.5 million, RMB58.9 million, and RMB334.8 million, respectively. As we continue to expand our production capacity, we focus on strengthening our high-volume manufacturing capabilities, improving yields and advancing production automation. These efforts are designed to enhance throughput, improve product consistency and support competitive unit economics as our revenue grows.

We also incur operating expenses, including selling and marketing expenses, general and administrative expenses and research and development expenses. In 2023, 2024 and 2025, we recorded selling and marketing expenses of RMB8.4 million, RMB18.5 million and RMB23.8 million, respectively, representing 5.8%, 7.3% and 4.0% of our total revenue for the respective years. In the same periods, we recorded general and administrative expenses of RMB25.9 million, RMB26.1 million and RMB45.1 million, respectively, representing 18.0%, 10.3% and 7.5% of our total revenue for the respective years. For details on research and development expenses, see "— Technology Innovation and Product Iteration."

As we continue to scale our operations, the absolute amounts of our cost of sales and operating expenses are expected to increase. Our results of operations will therefore depend in part on our ability to improve operational efficiency, manage procurement and production costs and achieve economies of scale as revenue grows.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe are reasonable under the circumstances. We did not change our assumptions or estimates during the Track Record Period and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our material accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our material accounting policy information and significant accounting judgments and estimates are set forth in detail in Notes 4 and 5 to the Accountants' Report set out in Appendix I to this document.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEM

The following table sets forth a summary of our consolidated statements of profit or loss for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	**144,404**	**100.0**	**252,173**	**100.0**	**601,435**	**100.0**
Cost of sales	(102,906)	(71.3)	(193,270)	(76.6)	(266,613)	(44.3)
Gross profit	**41,498**	**28.7**	**58,903**	**23.4**	**334,822**	**55.7**
Other income	14,054	9.7	2,182	0.9	12,041	2.0
Other gains or losses, net	9,104	6.3	3,593	1.4	(3,719)	(0.6)
Selling and marketing expenses	(8,355)	(5.8)	(18,532)	(7.3)	(23,784)	(4.0)
General and administrative expenses	(25,937)	(18.0)	(26,053)	(10.3)	(45,135)	(7.5)
Research and development expenses	(30,946)	(21.4)	(54,518)	(21.6)	(80,843)	(13.4)
Impairment losses on financial assets, net of reversal	(2,856)	(2.0)	2,829	1.1	(6,524)	(1.1)
Finance income, net	21,590	15.0	17,973	7.1	12,883	2.1
Share of results of associate	2	0.1	(1,689)	(0.7)	14,031	2.3
Profit/(Loss) before tax	**18,154**	**12.6**	**(15,312)**	**(6.0)**	**213,772**	**35.5**
Income tax (expense)/credit	1,326	0.9	9,179	3.6	(22,848)	(3.8)
Profit/(Loss) for the year	**19,480**	**13.5**	**(6,133)**	**(2.4)**	**190,924**	**31.7**

Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profit/(loss) (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We define adjusted net profit/(loss) (non-IFRS measure) as profit/(loss) for the year adjusted for share-based payment expenses, which are non-cash in nature arising from the grant of share awards to employees.

We believe that this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items and provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of adjusted net profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table sets forth a reconciliation of our adjusted net profit/(loss) (non-IFRS measure) to the nearest measure prepared in accordance with IFRS, which is profit/(loss) for the year:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit/(Loss) for the year	**19,480**	**(6,133)**	**190,924**
Add:			
Share-based payment expenses	3,549	3,662	32,162
Adjusted net profit/(loss) (non-IFRS measure)	**23,029**	**(2,471)**	**223,086**

Revenue

While our products ultimately serve end users worldwide, we generated substantially all of our revenue from the Chinese mainland during the Track Record Period, reflecting the region's role as a key hub for optical transceiver supply. Looking ahead, we expect our international revenue to increase gradually as we continuously expand our global operations and strengthen our globalized supply chain.

Revenue by Product Line

During the Track Record Period, we generated revenue primarily from the sales of data center laser chips and telecommunications laser chips. We also, to a much lesser extent, generated revenue from our provision of technical services and others, primarily in relation to our customized development for certain types of laser chips and contract manufacturing services. We recognize revenue from product sales upon delivery and acceptance by customers, and revenue from technical services is recognized over time based on the progress of service delivery and acceptance. The following table sets forth a breakdown of our revenue by product line, both in absolute amount and as a percentage of our total revenue, for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Data center laser chips	4,614	3.2	48,013	19.0	393,258	65.4
Telecommunications laser chips	133,054	92.1	202,304	80.2	206,470	34.3
Technical services and others[1]	6,736	4.7	1,856	0.8	1,707	0.3
Total	**144,404**	**100.0**	**252,173**	**100.0**	**601,435**	**100.0**

Note:

(1) Technical services and others primarily comprise customized development for certain type of laser chips and contract manufacturing services.

In 2023 and 2024, we derived the majority of our revenue from the sales of telecommunications laser chips, with a smaller portion generated from the sales of data center laser chips. Notwithstanding the above, revenue from the sales of data center laser chips experienced rapid growth during the Track Record Period. In 2025, revenue derived from the sales of data center laser chips surpassed that from the sales of telecommunications laser chips and accounted for 65.4% of our total revenue for the year. This shift was primarily driven by our expanded sales volume of data center laser chips, attributable to the accelerated deployment of AI computing centers and the increasing adoption of high-speed optical interconnects and SiPh applications, coupled with our deepened customer relationships in these markets. In response to these industry trends, we are continuing to enhance our data center laser chip offerings and increase our presence in this product line. In addition, our revenue from technical services and others decreased from RMB6.7 million in 2023 to RMB1.9 million in 2024, and further to RMB1.7 million in 2025. The decrease was primarily because our technical services and others mainly consist of customized development projects, which are generally project-based.

Revenue from sales of our laser chips is primarily driven by sales volume and average selling prices. The following table sets forth a breakdown of the sales volumes and average selling prices of our laser chips by product line for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Sales Volume	**Average Selling Price[1]**	**Sales Volume**	**Average Selling Price[1]**	**Sales Volume**	**Average Selling Price[1]**
	'000 units	*RMB per unit*	*'000 units*	*RMB per unit*	*'000 units*	*RMB per unit*
Data center laser chips	225	20.5	2,285	21.0	17,721	22.2
Telecommunications laser chips	28,029	4.7	49,915	4.1	35,711	5.8

Note:

(1) Average selling price is calculated by dividing the revenue by the sale volume of such product line for a certain year.

The sales volume of our data center laser chips increased significantly from 0.2 million units in 2023 to 2.3 million units in 2024, and further to 17.7 million units in 2025, with the average selling price remaining relatively stable at approximately RMB20.5, RMB21.0, and RMB22.2 per unit in 2023, 2024 and 2025. The sales volume of our telecommunications laser chips experienced a fluctuation of 28.0 million units in 2023, 49.9 million units in 2024 and 35.7 million units in 2025, with average selling prices of RMB4.7, RMB4.1 and RMB5.8 per unit over the same periods.

The overall growth in sales volume of our laser chips from 2023 to 2024 was primarily driven by the recovery of demand from the telecommunications market. The overall sales volume of our laser chips remained stable between 2024 and 2025. The divergence in the sales volume between the two product lines was primarily because we proactively optimized our product portfolio and reallocated our resources to prioritize higher-value products, including our data center laser chips and our high-end telecommunications laser chips.

Revenue by Sales Channel

During the Track Record Period, we primarily marketed our laser chips through a direct sales model, supplemented by a group of distributors. Our revenue generated from sales via the distribution model increased significantly from RMB26.6 million in 2023 to RMB74.8 million in 2024, primarily due to the recovery of demand from the telecommunications market as the distribution model is mostly applied in the sales of telecommunications laser chips. Our revenue generated from distribution decreased by 14.4% from RMB74.8 million in 2024 to RMB64.0 million in 2025, primarily due to the successful market expansion of our CW lasers, which were sold to customers mostly through direct sales. The table below sets out a breakdown of our revenue in both absolute amount and percentage of our total revenue by sales channel for the years indicated:

	For the year ended December 31,					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct Sales	117,756	81.5	177,334	70.3	537,405	89.4
Distribution	26,648	18.5	74,839	29.7	64,030	10.6
Total	**144,404**	**100.0**	**252,173**	**100.0**	**601,435**	**100.0**

Cost of Sales

Our cost of sales primarily consists of (i) manufacturing costs, primarily including packaging fees for our laser chips and depreciation of production-related property, plant and equipment and right-of-use assets, (ii) labor costs, mainly relating to employees involved in production, (iii) raw material costs, (iv) taxes and surcharges, and (v) inventory impairment. The following table sets forth a breakdown of our cost of sales by nature, both in absolute amount and as a percentage of the total cost of sales, for the years indicated:

	For the year ended December 31,					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturing costs	57,774	56.1	120,507	62.4	139,880	52.5
Labor costs	16,588	16.1	36,838	19.1	70,953	26.6
Raw material costs	10,067	9.8	22,562	11.7	51,767	19.4
Taxes and surcharges	2,826	2.7	2,836	1.5	4,687	1.8
Inventory impairment	15,651	15.3	10,527	5.3	(674)	(0.3)
Total	**102,906**	**100.0**	**193,270**	**100.0**	**266,613**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales, and our gross profit margin represents our gross profit as a percentage of revenue. The following table sets forth a breakdown of our gross profit and gross profit margin by product line, for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Data center laser chips	1,165	25.2	29,796	62.1	280,228	71.3
Telecommunications laser chips	35,556	26.7	29,020	14.3	53,470	25.9
Technical services and others	4,777	70.9	87	4.7	1,124	65.8
Total	**41,498**	**28.7**	**58,903**	**23.4**	**334,822**	**55.7**

Our gross profit derived from data center laser chips increased significantly from RMB1.2 million in 2023 to RMB29.8 million in 2024, and further to RMB280.2 million in 2025, primarily driven by the continued growth in the sales volume of data center laser chips in response to increasing demand resulting from the expansion of data center infrastructure and the growing adoption of high-speed optical interconnect solutions. The gross profit margin of our data center laser chips increased from 25.2% in 2023 to 62.1% in 2024 and further to 71.3% in 2025, primarily reflecting the continued optimization of our product portfolio in this product line as we progressively launched and commenced volume shipments of higher-performance EMLs and CW lasers.

Our gross profit derived from telecommunications laser chips decreased from RMB35.6 million in 2023 to RMB29.0 million in 2024, primarily due to pricing pressure under prevailing market conditions, despite an increase in sales volume. Our gross profit derived from telecommunications laser chips increased from RMB29.0 million in 2024 to RMB53.5 million in 2025, primarily due to our increased sales of higher-end telecommunications laser chips. For the same reasons discussed above, the gross profit margin of the telecommunications laser chips line decreased from 26.7% in 2023 to 14.3% in 2024, and then increased to 25.9% in 2025.

The gross profit and gross profit margin of our technical services and other business fluctuated during the Track Record Period, primarily because the timing, scale, complexity, resource requirements and pricing of our technical services and others varied from project to project. In 2023, 2024 and 2025, our gross profit derived from the technical services and others line was RMB4.8 million, RMB87 thousand and RMB1.1 million, respectively, with a gross profit margin of 70.9%, 4.7% and 65.8%, respectively.

Other Income

Our other income primarily consists of (i) industrial development incentives in recognition of our contribution to local economy and/or industry, which were primarily one-off in nature. Certain incentives were unconditional, while others were subject to specific conditions. As of the Latest Practicable Date, some of such conditions had been fulfilled, while others remained outstanding; and (ii) VAT deduction income. In 2023, 2024, and 2025, we recorded other income of RMB14.1 million, RMB2.2 million, and RMB12.0 million, respectively.

Other Gains or Losses, Net

Our other gains or losses, net primarily consist of (i) change in fair value of financial assets at FVTPL, in connection with our structured deposits and other wealth management products we purchased for cash management purposes, (ii) net gains/losses on disposal of property, plant and equipment, (iii) net foreign exchange losses, and (iv) donations. The following table sets forth a breakdown of our other gains or losses, net for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
		RMB'000	
Change in fair value of financial assets at FVTPL	9,115	4,337	324
Net gains/(losses) on disposal of property, plant and equipment	23	77	(16)
Net foreign exchange losses	(40)	(451)	(4,049)
Donations	—	(500)	—
Others	6	130	22
Total	**9,104**	**3,593**	**(3,719)**

Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) business development expenses, which were incurred primarily to expand our market presence, increase market penetration and strengthen our relationships with key customers, (ii) employee expenses, which mainly include salaries and welfare of our sales and marketing staff, (iii) share-based payment expenses arising from the grant of share awards to our sales and marketing staff, (iv) advertising and marketing expenses, primarily representing expenses in connection with our participation in industry exhibitions, and (v) travel expenses. The following table sets forth a breakdown of our selling and marketing expenses, both in absolute amount and as a percentage of the total selling and marketing expenses, for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Business development expenses	833	10.0	9,464	51.1	11,965	50.3
Employee expenses	5,969	71.4	5,967	32.2	6,833	28.7
Share-based payment expenses	—	—	346	1.9	3,679	15.5
Advertising and marketing expenses	254	3.0	1,513	8.2	511	2.1
Travel expenses	913	10.9	769	4.1	418	1.8
Others[(1)]	386	4.7	473	2.5	378	1.6
Total	**8,355**	**100.0**	**18,532**	**100.0**	**23,784**	**100.0**

Note:

(1) Others include sample fees, depreciation and amortization, and other miscellaneous expenses relating to our selling and marketing activities.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee expenses, which mainly include salaries and welfare of our administrative and management staff, (ii) depreciation and amortization, (iii) share-based payment expenses arising from the grant of share awards to our senior management and administration staff, (iv) office expenses, (v) professional service expenses, representing primarily audit and legal expenses incurred for our operations, (vi) travel expenses, and (vii) disability support fund contributions. The following table sets forth a breakdown of our general and administrative expenses, both in absolute amount and as a percentage of the total general and administrative expenses, for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee expenses	9,479	36.5	10,920	41.9	15,607	34.6
Depreciation and amortization	6,190	23.9	6,314	24.2	9,407	20.8
Share-based payment expenses	3,549	13.7	1,936	7.4	6,158	13.6
Office expenses	1,667	6.4	1,549	5.9	4,454	9.9
Professional service expenses	1,301	5.0	2,034	7.8	3,765	8.3
Travel expenses	1,623	6.3	1,200	4.6	1,662	3.7
Disability support fund contributions	659	2.5	618	2.4	706	1.6
Others[(1)]	1,469	5.7	1,482	5.8	3,376	7.5
Total	**25,937**	**100.0**	**26,053**	**100.0**	**45,135**	**100.0**

Note:

(1) Others include utilities expenses, hospitality expenses, bank charges, and other miscellaneous administrative expenses.

Research and Development Expenses

Our research and development expenses primarily consist of (i) material costs used in our R&D projects, (ii) employee expenses, which mainly include salaries and welfare of our R&D staff, (iii) share-based payment expenses in relation to share awards granted to our R&D staff, (iv) depreciation and amortization, (v) testing and certification expenses, which mainly include product testing, performance validation and certification fees, and (vi) outsourced R&D expenses, which primarily represent fees paid to third-party service providers for certain technical services. The increase in our research and development expenses primarily reflects our strategic efforts to advance the development of our product portfolio. Driven by the surge in AI technologies and applications and the growing demand for laser chips capable of higher rates and greater power output, we have launched a portfolio of CW lasers, EMLs and DFB lasers designed to meet these evolving requirements. The following table sets forth a breakdown of our research and development expenses, both in absolute amount and as a percentage of the total research and development expenses, for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Material costs	13,329	43.1	27,254	50.0	42,945	53.1
Employee expenses	12,208	39.4	16,837	30.9	19,743	24.4
Share-based payment expenses	—	—	737	1.4	8,416	10.4
Depreciation and amortization	1,305	4.2	4,154	7.6	4,760	5.9
Testing and certification expenses	1,715	5.5	1,057	1.9	553	0.7
Outsourced R&D expenses	536	1.7	2,187	4.0	200	0.2
Others[(1)]	1,853	6.1	2,292	4.2	4,226	5.3
Total	**30,946**	**100.0**	**54,518**	**100.0**	**80,843**	**100.0**

Note:

(1) Others include consumables and other miscellaneous incurred for our research and development activities.

Impairment Losses on Financial Assets, Net of Reversal

Our impairment losses on financial assets, net of reversal, are incurred primarily in connection with (i) impairment losses and reversals of our trade receivables, (ii) impairment losses and reversals of notes receivables, and (iii) impairment losses and reversals of other receivables. We recorded impairment losses on financial assets, net of reversal, of RMB2.9 million and RMB6.5 million in 2023 and 2025, respectively, and reversal of impairment losses on financial assets of RMB2.8 million in 2024.

Finance Income, Net

Our net finance income primarily consists of interest income in relation to our bank deposits. In 2023, 2024 and 2025, we recorded net finance income of RMB21.6 million, RMB18.0 million and RMB12.9 million, respectively.

Share of Results of Associate

Our share of results of associate represents our proportionate share of the net profit or loss of our associate, Beijing Guanxin Guangyuan Venture Capital Fund Center (Limited Partnership) ("**Guanxin Guangyuan**"), during the Track Record Period. For details, see Note 18 to the Accountants' Report set out in Appendix I to this document.

Income Tax (Expense)/Credit

Our income tax credit amounted to RMB1.3 million and RMB9.2 million in 2023 and 2024, and our income tax expenses amounted to RMB22.8 million in 2025. Our Directors confirm that during the Track Record Period, we had made all the required tax filings with the relevant tax authorities in the PRC and we are not aware of any outstanding or potential disputes with such tax authorities.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. Pursuant to the EIT Law and Implementation Regulation of the EIT Law, our operations in the PRC are liable to EIT at a standard rate of 25%, unless otherwise specified. Our Company has been qualified as the "High and New Technology Enterprise" and is therefore entitled to a preferential tax rate of 15%. Taxation arising from other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions. For details, see Note 12 to the Accountants' Report set out in Appendix I to this document.

Profit/(Loss) for the Year

For the foregoing reasons, we recorded a net profit of RMB19.5 million in 2023, a net loss of RMB6.1 million in 2024 and a net profit of RMB190.9 million in 2025.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenue increased significantly from RMB252.2 million in 2024 to RMB601.4 million in 2025, primarily due to the following reasons:

- Revenue generated from the sales of data center laser chips increased significantly from RMB48.0 million in 2024 to RMB393.3 million in 2025, primarily attributable to an increase in sales volume from 2.3 million units in 2024 to 17.7 million units in 2025, which was in turn driven by (i) strong market demand for more effective optical interconnect solutions fueled by the advancement of AI technologies and applications, and (ii) our deepened customer relationships in the data center market.

- Revenue generated from the sales of telecommunications laser chips increased from RMB202.3 million in 2024 to RMB206.5 million in 2025, as we actively optimized our product portfolio and increased the sales volume of high-end products, driving the average selling price up from RMB4.1 per unit in 2024 to RMB5.8 per unit in 2025, despite a decrease in the overall sales volume of telecommunications laser chips.

Cost of Sales

Our cost of sales increased from RMB193.3 million in 2024 to RMB266.6 million in 2025, primarily due to increases in raw material costs, labor costs and manufacturing costs driven by higher sales volume of data center laser chips.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased significantly from RMB58.9 million in 2024 to RMB334.8 million in 2025.

Our overall gross profit margin increased from 23.4% in 2024 to 55.7% in 2025, primarily attributable due to (i) the increased revenue of our data center laser chips as a percentage of our total revenue, which commanded a relatively high overall gross profit margin of 71.3% in 2025, and (ii) the increased sales of high-end telecommunications laser chips with relatively higher profit margins, which drove the overall gross profit margin of our telecommunications laser chip product line up from 14.3% in 2024 to 25.9% in 2025. In particular, the gross profit margin of our data center laser chip product line increased from 62.1% in 2024 to 71.3% in 2025, primarily reflecting the continued optimization of our product portfolio in this product line as we progressively launched and commenced volume shipments of higher-performance EMLs and CW lasers. This robust performance was largely due to the strong market demand for more effective optical interconnect solutions fueled by the advancement of AI technologies and applications, and our expanded customer base.

Other Income

Our other income increased from RMB2.2 million in 2024 to RMB12.0 million in 2025, primarily attributable to (i) an increase of RMB5.2 million in industrial development incentives recognized in 2025, which is non-recurring in nature, and (ii) an increase of RMB4.6 million in VAT deduction income, mainly due to the additional 5% input VAT deduction for advanced manufacturing enterprises under the Announcement No. 43 of the Ministry of Finance and the State Administration of Taxation issued in 2023, combined with the expanded business scale in 2025 that increased the qualifying input VAT base.

Other Gains or Losses, Net

We recorded a net other gain of RMB3.6 million in 2024 and a net other loss of RMB3.7 million in 2025, primarily attributable to (i) a decrease of RMB4.0 million in change in fair value of financial assets at FVTPL, caused by lower interest rates and our reduced investment scale in wealth management products, and (ii) an increase of RMB3.6 million in net foreign exchange losses, as a result of fluctuations in exchange rates.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB18.5 million in 2024 to RMB23.8 million in 2025, primarily attributable to (i) an increase of RMB3.3 million in share-based payment expenses, mainly because (a) the restricted share scheme adopted in August 2024 resulted in a higher amount of share-based payment expenses being recognized in 2025 compared to 2024 due to a longer recognition period, and (b) we adopted a new restricted share scheme in September 2025, and (ii) an increase of RMB2.5 million in business development expenses, primarily incurred to expand our market presence for the data center laser chip business.

General and Administrative Expenses

Our general and administrative expenses increased from RMB26.1 million in 2024 to RMB45.1 million in 2025, primarily attributable to (i) an increase of RMB4.7 million in employee expenses, mainly due to the expansion of our administrative team and adjusted salary levels, which is in line with our business growth, (ii) an increase of RMB4.2 million in share-based payment expenses, mainly because (a) the restricted share scheme adopted in August 2024 resulted in a higher amount of share-based payment expenses being recognized in 2025 compared to 2024 due to a longer recognition period, and (b) we adopted a new restricted share scheme in September 2025, (iii) an increase of RMB3.1 million in depreciation and amortization, mainly attributable to the addition of our newly leased premises, and (iv) an increase of RMB2.9 million in office expenses, mainly due to expanded operation scale.

Research and Development Expenses

Our research and development expenses increased from RMB54.5 million in 2024 to RMB80.8 million in 2025, primarily attributable to (i) an increase of RMB15.7 million in material costs related to our increased R&D activities, (ii) an increase of RMB7.7 million in share-based payment expenses, mainly because (a) the restricted share scheme adopted in August 2024 resulted in a higher amount of share-based payment expenses being recognized in 2025 compared to 2024 due to a longer recognition period, and (b) we adopted a new restricted share scheme in September 2025, and (iii) an increase of RMB2.9 million in employee expenses, mainly due to the recruitment of R&D personnel and the increase of the average salary level of our R&D team.

Impairment Losses on Financial Assets, Net of Reversal

We recorded impairment losses on financial assets, net of reversal of RMB6.5 million in 2025, compared to reversal of impairment losses on financial assets of RMB2.8 million in 2024, primarily because we recorded impairment losses on trade receivables of RMB5.7 million in 2025 as a result of increased trade receivables balance in line with revenue growth.

Finance Income, Net

Our net financial income decreased from RMB18.0 million in 2024 to RMB12.9 million in 2025, primarily attributable to (i) a decrease of RMB3.2 million in interest income, primarily caused by lower interest rates and our reduced investment scale in wealth management products, and (ii) an increase of RMB1.4 million in interest expense on lease liabilities, primarily because of the expansion of our leasing scale.

Share of Results of Associate

We recorded share of profits of an associate of RMB14.0 million in 2025, compared to share of losses of an associate of RMB1.7 million in 2024, primarily attributable to investment gains generated by our associate.

Income Tax (Expense)/Credit

We recorded income tax expense of RMB22.8 million in 2025, compared to an income tax credit of RMB9.2 million in 2024, primarily attributable to our turnaround from a loss before tax of RMB15.3 million in 2024 to a profit before tax of RMB213.8 million in 2025.

Profit/(Loss) for the Year

For the foregoing reasons, we recorded a net profit of RMB190.9 million in 2025, as compared to a net loss of RMB6.1 million in 2024.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased from RMB144.4 million in 2023 to RMB252.2 million in 2024, primarily due to the following reasons:

- Revenue generated from the sales of data center laser chips increased significantly from RMB4.6 million in 2023 to RMB48.0 million in 2024, primarily attributable to an increase in sales volume from 0.2 million units in 2023 to 2.3 million units in 2024, driven by the successful market expansion of our CW lasers launched in 2024. This was because we capitalized on the large-scale deployment in cloud and AI data centers, which propelled downstream demand for SiPh-based optical interconnect solutions where our high-power CW lasers can serve as light sources.

- Revenue generated from the sales of telecommunications laser chips increased from RMB133.1 million in 2023 to RMB202.3 million in 2024, primarily driven by an increase in sales volume from 28.0 million units in 2023 to 49.9 million units in 2024. The expansion in sales volume of our telecommunications laser chips mainly resulted from a recovery of market demand in the telecommunications sector.

Cost of Sales

Our cost of sales increased from RMB102.9 million in 2023 to RMB193.3 million in 2024, primarily due to increases in the raw material costs, labor costs and manufacturing costs driven by our increased sales of both data center laser chips and telecommunications laser chips..

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased from RMB41.5 million in 2023 to RMB58.9 million in 2024.

Our overall gross profit margin decreased from 28.7% in 2023 to 23.4% in 2024. This was primarily attributable to a decrease in the overall gross profit margin of our telecommunications laser chip product line from 26.7% to 14.3%, reflecting the downward pricing pressure on certain products within this product line as a result of intensified market competition. At the product line level, the gross profit margin of our data center laser chips increased significantly from 25.2% in 2023 to 62.1% in 2024, which has surpassed that from our telecommunications laser chips. This shift was primarily because we actively optimized our product portfolio in the data center applications by commencing volume sales of CW lasers, which command a relatively high average selling price.

Other Income

Our other income decreased from RMB14.1 million in 2023 to RMB2.2 million in 2024, primarily attributable to the recognition of a one-off incentive in 2023 in connection with our A-share listing.

Other Gains, Net

Our net other gains decreased from RMB9.1 million in 2023 to RMB3.6 million in 2024, primarily attributable to a decrease of RMB4.8 million in the change in fair value of financial assets at FVTPL. The decrease in fair value of financial assets at FVTPL in 2024 reflected lower returns on our wealth management products, which was in line with declining market interest rates.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB8.4 million in 2023 to RMB18.5 million in 2024, primarily attributable to (i) an increase of RMB8.6 million in business development expenses, primarily incurred to expand our market presence, especially for the promotion of our CW lasers and telecommunications laser chips, along with deepening relationships with our key customers, and (ii) an increase of RMB1.3 million in advertising and marketing expenses, mainly due to higher spending on the participation in industry exhibitions in China and overseas.

General and Administrative Expenses

Our general and administrative expenses remained relatively stable at RMB25.9 million in 2023 and RMB26.1 million in 2024.

Research and Development Expenses

Our research and development expenses increased from RMB30.9 million in 2023 to RMB54.5 million in 2024. The increase was primarily attributable to (i) an increase of RMB13.9 million in material costs related to our increased R&D activities, (ii) an increase of RMB4.6 million in employee expenses, mainly due to the expansion of our R&D team, (iii) an increase of RMB2.8 million in depreciation and amortization, mainly due to purchases of R&D equipment to support our product development, and (iv) an increase of RMB1.7 million in outsourced R&D expenses.

Impairment Losses on Financial Assets, Net of Reversal

We recorded impairment losses on financial assets, net of reversal, of RMB2.9 million in 2023, compared to a reversal of impairment losses on financial assets of RMB2.8 million in 2024. This shift was primarily attributable to the improved aging profile of our trade receivables. In 2023, due to a market downturn of our telecommunications laser chips, we held a relatively higher balance of receivables aged over one year, which resulted in higher impairment provisions. In 2024, driven by market recovery and our enhanced collection efforts, the aging structure of our receivables was improved, leading to a reduction in the required impairment provision.

Finance Income, Net

Our net financial income decreased from RMB21.6 million in 2023 to RMB18.0 million in 2024, primarily attributable to a decrease of RMB3.5 million in interest income, reflecting lower returns on our wealth management products in line with declining market interest rates.

Share of Results of Associate

We recorded share of losses of an associate of RMB1.7 million in 2024, reflecting Guanxin Guangyuan's initial investment activities and operating expenses.

Income Tax (Expense)/Credit

Our income tax credit increased from RMB1.3 million in 2023 to RMB9.2 million in 2024, which was attribute to our recorded loss before tax of RMB15.3 million in 2024, as well as an increase in super-deduction of research and development expenses.

Profit/(Loss) for the Year

For the foregoing reasons, we recorded a net loss of RMB6.1 million in 2024, while we recorded a net profit of RMB19.5 million in 2023.

DESCRIPTION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a breakdown of our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	550,678	576,011	828,777
Right-of-use assets	13,365	15,431	74,803
Intangible assets	5,445	5,142	3,317
Investments in an associate	30,002	118,313	134,373
Financial assets at fair value through other comprehensive income ("**FVOCI**")	—	—	31,291
Deferred tax assets	—	4,663	40,760
Prepayments, other receivables and other assets	6,347	16,768	201,990
Total non-current assets	**605,837**	**736,328**	**1,315,311**
Current assets			
Inventories	140,819	122,714	133,696
Trade receivables	99,736	121,028	264,478
Notes receivables	5,154	8,720	24,336
Financial assets at FVOCI	19,408	14,110	5,211
Prepayments, other receivables and other assets	22,219	21,715	19,921
Income tax recoverable	1	1,695	22
Restricted bank deposits	—	40,160	26,379
Cash and cash equivalents	1,343,509	1,081,076	795,896
Total current assets	**1,630,846**	**1,411,218**	**1,269,939**

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade payables	26,001	22,519	52,632
Notes payables	—	—	20,548
Other payables and accruals	66,262	28,394	98,156
Contract liabilities	2,098	1,452	1,862
Lease liabilities	908	938	4,812
Provisions	—	646	693
Total current liabilities	**95,269**	**53,949**	**178,703**
Net current assets	**1,535,577**	**1,357,269**	**1,091,236**
Total assets less current liabilities	**2,141,414**	**2,093,597**	**2,406,547**
Non-current liabilities			
Lease liabilities	980	3,413	62,521
Provisions	3,749	282	1,141
Deferred income	15,481	17,135	10,600
Deferred tax liabilities	4,516	—	—
Total non-current liabilities	**24,726**	**20,830**	**74,262**
Net Assets	**2,116,688**	**2,072,767**	**2,332,285**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of property and buildings, machinery and equipment, motor vehicles, tools and office equipment, leasehold improvements and construction in progress. Our property and buildings primarily consist of our production facilities and office buildings. Our machinery and equipment primarily consist of our equipment used in R&D and production of our laser chip products. Our construction in progress primarily consists of production equipment and facilities under construction for our expansion strategy.

Our property, plant and equipment increased from RMB550.7 million as of December 31, 2023 to RMB576.0 million as of December 31, 2024, primarily due to an addition to machinery and equipment in 2024 to support our capacity expansion.

Our property, plant and equipment further increased from RMB576.0 million as of December 31, 2024 to RMB828.8 million as of December 31, 2025, primarily due to an addition to construction in progress and an addition to machinery and equipment in 2025 driven by our ongoing capacity expansion to meet the growing market demand, including facility expansion and continued equipment procurement and installation.

Right-of-Use Assets

Our right-of-use assets represent the land use rights we acquired and our leased properties. Our right-of-use assets increased from RMB13.4 million as of December 31, 2023 to RMB15.4 million as of December 31, 2024, and further to RMB74.8 million as of December 31, 2025, primarily because we entered into new lease agreements.

Investments in an Associate

Investment in an associate mainly related to our holding of equity stake in Guanxin Guangyuan. Our investments in an associate increased from RMB30.0 million as of December 31, 2023 to RMB118.3 million as of December 31, 2024, primarily due to the completion our total committed capital contribution in 2024. Our investments in an associate further increased to RMB134.4 million as of December 31, 2025, primarily due to an increase in our share of results of Guanxin Guangyuan, which was mainly driven by fair value gains arising from the appreciation in the valuations of certain investee companies held by Guanxin Guangyuan.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments for property, plant and equipment, which primarily represent advance payments made to equipment suppliers for the purchase of production and R&D equipment, (ii) other tax receivables, which primarily represent value-added tax recoverable in connection with our purchases of equipment and materials, (iii) prepayments to suppliers, which represent deposits paid to suppliers as advance payments, and (iv) deferred listing expenses. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current portion			
Prepayments for property, plant and equipment	6,347	16,768	201,990
Current portion			
Prepayments	677	355	1,285
Other tax receivables	18,006	14,831	2,317
Prepayments to suppliers	3,447	6,492	8,362
Deferred listing expenses	—	—	7,950
Others	89	37	7
	22,219	21,715	19,921
Total	**28,566**	**38,483**	**221,911**

Our prepayments, other receivables and other assets increased by from RMB28.6 million as of December 31, 2023 to RMB38.5 million as of December 31, 2024 and further to RMB221.9 million as of December 31, 2025, primarily due to an increase in the non-current portion of prepayments for property, plant and equipment, mainly reflecting advance payments made for new production equipment to support our capacity expansion, partially offset by a decrease in other tax receivables, mainly due to the reduction in deductible input VAT as our revenue continuously increased.

Inventories

Our inventories consist of (i) raw materials, which primarily include substrates and other purchased materials for production, (ii) work in progress, which represents wafers and chips at various stages of the manufacturing process, (iii) finished goods, which represent finished laser chips ready for delivery to customers, and (iv) goods in transit, less write-downs of inventories, which represent provisions for obsolete or slow-moving inventories. The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	6,042	5,676	31,939
Work in progress	77,231	89,530	66,992
Finished goods	72,903	53,680	50,223
Goods in transit	1,343	1,055	4,315
Total	**157,519**	**149,941**	**153,469**
Less: write-downs of inventories	(16,700)	(27,227)	(19,773)
Net amount	**140,819**	**122,714**	**133,696**

We actively manage our inventory to avoid under- or over-stocking. Our production schedules are largely order-oriented and, therefore, we are generally not exposed to significant over-stocking risk. Based on our production and sales progress, we review our inventory levels and adjust our raw material procurement budget plans on a regular basis to maintain our inventory of raw materials at an appropriate level. We did not experience any material shortage or accumulation of inventory during the Track Record Period.

Our inventories decreased from RMB140.8 million as of December 31, 2023 to RMB122.7 million as of December 31, 2024, primarily due to (i) a decrease of RMB19.2 million in finished goods, reflecting improved sales in line with market recovery, and (ii) an increase of RMB10.5 million in write-downs of inventories, primarily attributable to the impact of rapid technological iteration, leading to a decline in the market prices and demand of certain products. This was partially offset by an increase of RMB12.3 million in work in progress, reflecting our increased production of EMLs and CW lasers.

Our inventories increased from RMB122.7 million as of December 31, 2024 to RMB133.7 million as of December 31, 2025, primarily due to (i) an increase of RMB26.3 million in raw materials, primarily attributable to strategic stockpiling of key raw materials to support production scale-up, and (ii) a decrease of RMB7.5 million in write-downs of inventories, primarily due to the optimization of our inventory mix; partially offset by a decrease of RMB22.5 million in work in progress, primarily because (i) data center products, which generally have faster turnover, accounted for a higher proportion of our sales volume, and (ii) we continued to ship telecommunications products, which reduced the related work in progress.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	145,859	113,627	123,011
1 to 2 years	9,474	28,897	13,159
2 to 3 years	2,080	5,460	10,166
Over 3 years	106	1,957	7,133
Total	**157,519**	**149,941**	**153,469**

The following table sets forth our inventory turnover days for the years indicated:

	For the year ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days(1)	414	245	173

Note:

(1) Calculated as the average of the beginning and ending balance of inventories for the period divided by the cost of sales for that period and multiplied by the number of days in the relevant period, which is 360 days for each year.

Our inventory turnover days decreased from 414 days in 2023 to 245 days in 2024, primarily due to our improved sales performance resulting from the recovery of market demand. Our inventory turnover days further decreased to 173 days in 2025, primarily because of (i) our optimized portfolio of laser chip products, and (ii) increased production efficiency, enabling more frequent inventory turns and better alignment with customer demand.

As of January 31, 2026, approximately RMB26.1 million, or 19.5%, of our inventories as of December 31, 2025 had been subsequently sold or utilized.

Trade Receivables

Our trade receivables primarily represent balances due from our customers for sales of our products. We typically grant our customers a credit term of 30 to 90 days from the invoice date. The extension of credit period to our customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer's financial condition and payment history with us. In addition, we seek to maintain strict credit control over our outstanding receivables, and we continuously monitor and minimize our credit risk. We recognize impairment for our overdue trade receivables under the ECL model.

The following table sets forth the breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Third parties	112,339	131,946	281,074
Related parties	1,246	—	—
Less: loss allowance for trade receivables	(13,849)	(10,918)	(16,596)
Total	**99,736**	**121,028**	**264,478**

Our trade receivables increased from RMB99.7 million as of December 31, 2023 to RMB121.0 million as of December 31, 2024 and further to RMB264.5 million as of December 31, 2025, which was in line with our business growth.

Our management recognizes loss allowance for trade receivables based on an assessment of the present value of all expected cash shortfalls between the contractual and expected amounts. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. Our management reassesses the loss allowance at the end of each period in the Track Record Period. As of December 31, 2023, 2024 and 2025, we had loss allowance for our trade receivables of RMB13.8 million, RMB10.9 million and RMB16.6 million, respectively.

In order to enhance the collection of trade receivables, our finance team closely monitors payment collection and prepares aging reports showing the customers' overdue amounts for management review. Our sales team also evaluates such overdue invoices on a case-by-case basis and follows up with customers to facilitate collection. For key customers, we may implement tailored collection plans to facilitate timely settlement. We generally endeavor to resolve overdue balances through friendly negotiation in order to preserve long-term customer relationships. Where collection remains challenging, we may temporarily delay or suspend further shipments until outstanding balances are resolved. If payment is not settled despite these efforts, we may pursue legal remedies to recover the outstanding balances.

The following table sets forth an aging analysis of our trade receivables based on recognition date as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	69,486	118,824	264,364
1 to 2 years	30,250	226	114
2 to 3 years	—	1,978	—
Total	**99,736**	**121,028**	**264,478**

During the Track Record Period, the majority of our trade receivables were less than one year. In the same periods, we maintained effective communication with our customers, and no recoverability issue was identified.

The following table sets forth our trade receivables turnover days for the years indicated:

	As of December 31,		
	2023	**2024**	**2025**
Trade receivables turnover days(1)	307	158	115

Note:

(1) Trade receivables turnover days for a period equals to the average of opening and ending trade receivables balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period, which is 360 days for each year.

The trade receivable turnover days indicate the average time required for us to collect payments. Our trade receivables turnover days decreased from 307 days in 2023 to 158 days in 2024, primarily due to (i) improved customer payment capabilities following the market recovery, and (ii) our strengthened credit management and collection efforts. Our trade receivables turnover days further decreased to 115 days in 2025, primarily due to (i) a higher revenue contribution from data center products, whose customers generally settle payments on a timely basis, (ii) stronger market demand for our products, which supported faster sales and collection cycles, and (iii) our strengthened credit management and collection efforts.

As of January 31, 2026, RMB89.3 million, or 31.8%, of our gross trade receivables as of December 31, 2025 had been subsequently settled.

Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI")

Our financial assets at FVOCI consist of non-current investments in an unlisted company and current bank acceptance notes for current portion. Our financial assets at FVOCI decreased from RMB19.4 million as of December 31, 2023 to RMB14.1 million as of December 31, 2024, primarily due to our enhanced liquidity management, whereby we utilized bank acceptance notes to settle trade payables through endorsement to suppliers. Our financial assets at FVOCI increased from RMB14.1 million as of December 31, 2024 to RMB36.5 million as of December 31, 2025, primarily due to our equity investments in a technology company.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of (i) cash and bank balance, (ii) time deposits and (iii) deposits with other financial institutions.

Our cash and cash equivalents decreased from RMB1,343.5 million as of December 31, 2023 to RMB1,081.1 million as of December 31, 2024, and further to RMB795.9 million as of December 31, 2025. The decreases primarily reflected cash outflows to support business expansion in response to growing market demand, including capital expenditures for capacity expansion and equity investments. For details, please see "— Liquidity and Capital Resources — Consolidated Statements of Cash Flows."

Trade Payables

Our trade payables represent the outstanding amounts due to our suppliers. The following table sets forth the breakdown of our trade payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Third parties	25,983	22,519	52,632
Related parties	18	—	—
Total	**26,001**	**22,519**	**52,632**

Our trade payables decreased from RMB26.0 million as of December 31, 2023 to RMB22.5 million as of December 31, 2024, primarily due to normal fluctuations in procurement activities.

Our trade payables increased from RMB22.5 million as of December 31, 2024 to RMB52.6 million as of December 31, 2025, primarily due to higher raw material procurement in line with our business growth.

In terms of payment, we are generally granted by our suppliers a credit term of 30 to 90 days. The following table sets forth an aging analysis of our trade payables based on recognition date as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	23,736	22,313	52,377
1 to 2 years	2,102	20	126
2 to 3 years	4	25	18
Over 3 years	159	161	111
Total	**26,001**	**22,519**	**52,632**

The following table sets forth our trade payables turnover days for the years indicated:

	As of December 31,		
	2023	**2024**	**2025**
Trade payables turnover days[1]	97	45	51

Note:

(1) Trade payables turnover days for a period equals to the opening and ending trade payables balance divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period, which is 360 days for each year.

Our trade payables turnover days decreased from 97 days in 2023 to 45 days in 2024, and then increased to 51 days in 2025. The decrease in trade payables turnover days from 2023 to 2024 primarily reflects our increased cost of sales driven by our increased sales of both data center laser chips and telecommunications laser chips, while trade payables remained relatively stable as production levels were maintained. The increase in trade payables turnover days from 2024 to 2025 is primarily due to our increased procurement and stockpiling of key raw materials to ensure continuous and stable production, which led to a higher growth rate in trade payables compared to cost of sales.

As of January 31, 2026, RMB14.3 million, or approximately 27.2%, of our trade payables as of December 31, 2025 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) salary payable, which mainly represents accrued bonus and compensation payable to employees at the period end, (ii) notes receivables endorsed and not yet matured, which represent commercial acceptance notes that we endorsed to suppliers for payment but have not yet matured, (iii) other tax payable, which mainly represents accrued value-added tax, withholding income tax and other taxes payable, and (iv) payables for property, plant and equipment, (v) services fee payable incurred during the ordinary course of business, and (vi) payables for [REDACTED].

The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salary payable	6,365	9,583	19,975
Notes receivables endorsed and not matured	—	5,339	24,200
Other tax payables	1,117	929	2,909
Payables for property, plant and equipment	57,333	6,454	35,753
Services fee payable	950	5,533	6,811
Payables for [REDACTED]	—	—	7,760
Others	497	556	748
Total	**66,262**	**28,394**	**98,156**

Our other payables and accruals decreased from RMB66.3 million as of December 31, 2023 to RMB28.4 million as of December 31, 2024, primarily due to a decrease of RMB50.9 million in payables for property, plant and equipment, which was attributable to the timing of the final settlement for the construction of a company building, partially offset by (i) an increase of RMB5.3 million of notes receivables endorsed and not matured, to settle supplier payments, and (ii) an increase of RMB4.6 million of services fee payable, mainly due to increased requirements for specialized services to support our business operations.

Our other payables and accruals increased from RMB28.4 million as of December 31, 2024 to RMB98.2 million as of December 31, 2025, primarily due to (i) an increase of RMB29.3 million in payables for property, plant and equipment, which was attributable to the increased equipment procurement, (ii) an increase of RMB18.9 million in notes receivables endorsed and not matured, which was related to the timing of settlement cycles for commercial acceptance bills endorsed to suppliers, and (iii) an increase of RMB10.4 million in salary payable, which was attributable to higher year-end bonuses accrued in line with improved business performance.

As of January 31, 2026, RMB45.9 million, or 46.8%, of our other payables and accruals as of December 31, 2025 had been subsequently settled.

Deferred Income

Our deferred income represented unamortized conditional incentives related to specific projects or capital expenditures. Our deferred income increased from RMB15.5 million as of December 31, 2023 to RMB17.1 million as of December 31, 2024, primarily due to the receipt of incentives which would be recognized at a later stage. Our deferred income decreased from RMB17.1 million as of December 31, 2024 to RMB10.6 million as of December 31, 2025, primarily due to the recognition of certain incentives as other income during the year.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our operation, capital expenditure and general working capital needs. Historically, we had financed our operations and other capital requirements primarily through equity financing and cash generated from our business operations. Our anticipated cash needs primarily include costs associated with R&D activities, manufacturing activities, production capacity expansion and daily operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the [REDACTED] from [REDACTED] and, when necessary, bank and other borrowings.

As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB1,332.7 million, RMB1,077.5 million and RMB795.9 million, respectively. As of January 31, 2026, the latest practicable date for determining our indebtedness, we had cash and cash equivalent of RMB655.4 million.

Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/from operating activities	(17,399)	18,960	150,236
Net cash used in investing activities	(37,777)	(231,663)	(403,923)
Net cash used in financing activities	(27,020)	(42,600)	(16,767)
Net decrease in cash and cash equivalents	**(82,196)**	**(255,303)**	**(270,454)**
Effect of exchange rate changes	(70)	128	(11,125)
Cash and cash equivalents at beginning of the year	1,414,916	1,332,650	1,077,475
Cash and cash equivalents at the end of the year	**1,332,650**	**1,077,475**	**795,896**

Net cash (used in)/from operating activities

In 2025, our net cash from operating activities was RMB150.2 million, primarily due to our profit before tax of RMB213.8 million, income tax refunded of RMB1.7 million and interest received of RMB18.6 million, as adjusted by (i) certain non-cash and non-operating items, which primarily included depreciation of property, plant and equipment of RMB58.2 million, share-based payments expenses of RMB32.2 million, share of results of associate of RMB14.0 million and finance income, net of RMB12.9 million, and (ii) changes in working capital that positively affected our cash flows, which primarily included an increase in other payables and accruals of RMB52.3 million and an increase in trade payables of RMB34.7 million; partially offset by changes in working capital that negatively affected our cash flows, which primarily included an increase in trade receivables of RMB149.1 million and an increase in notes receivables of RMB90.2 million.

In 2024, our net cash from operating activities was RMB19.0 million, primarily due to our loss before tax of RMB15.3 million, income tax paid of RMB1.7 million and interest received of RMB25.4 million, as adjusted by (i) certain non-cash and non-operating items, which primarily included depreciation of property, plant and equipment of RMB47.5 million, written down of inventories of RMB22.3 million, and finance income, net of RMB18.0 million, and (ii) changes in working capital that positively affected our cash flows, which primarily included an increase in other payables and accruals of RMB22.6 million; partially offset by changes in working capital that negatively affected our cash flows, which primarily included an increase in notes receivables of RMB43.5 million and an increase in trade receivables of RMB18.4 million.

In 2023, our net cash used in operating activities was RMB17.4 million, primarily due to our profit before tax of RMB18.2 million, income tax refunded of RMB0.6 million and interest received of RMB15.4 million, as adjusted by (i) certain non-cash and non-operating items, which primarily included depreciation of property, plant and equipment of RMB39.7 million, written down of inventories of RMB18.0 million, and finance income, net of RMB21.6 million; and (ii) changes in working capital that positively affected our cash flows, which primarily included a decrease in trade receivables of RMB43.6 million and an increase in other payables and accruals of RMB16.4 million; partially offset by changes in working capital that negatively affected our cash flows, which primarily included an increase in inventories of RMB62.9 million, an increase in notes receivables of RMB30.0 million and a decrease in trade payable of RMB23.8 million.

Net cash used in investing activities

In 2025, our net cash used in investing activities was RMB403.9 million, primarily due to (i) purchase of property, plant and equipment of RMB409.4 million, and (ii) purchase of financial assets at FVTPL of RMB228.2 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB228.5 million.

In 2024, our net cash used in investing activities was RMB231.7 million, primarily due to (i) purchase of financial assets at FVTPL of RMB1,205.1 million, (ii) purchase of property, plant and equipment of RMB105.4 million, and (iii) capital injection to an associate of RMB90.0 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB1,169.3 million.

In 2023, our net cash used in investing activities was RMB37.8 million, primarily due to (i) purchase of financial assets at FVTPL of RMB1,510.0 million and (ii) purchase of property, plant and equipment of RMB62.4 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB1,569.4 million.

Net cash used in financing activities

In 2025, our net cash used in financing activities was RMB16.8 million, primarily due to dividends paid to owners of our Company of RMB42.7 million, partially offset by proceeds from issues of shares, net of issuance cost of RMB29.0 million.

In 2024, our net cash used in financing activities was RMB42.6 million, primarily due to (i) repurchase of shares of RMB55.4 million and (ii) dividends paid to owners of our Company of RMB8.5 million, partially offset by proceeds from issues of shares, net of issuance cost, of RMB22.5 million.

In 2023, our net cash used in financing activities was RMB27.0 million, primarily due to (i) dividends paid to owners of our Company of RMB39.4 million and (ii) repayment of accrued share issuance expenses of RMB17.3 million, partially offset by proceeds from issues of shares, net of issuance cost, of RMB30.6 million.

Current Assets and Current Liabilities

The following table sets forth our current assets and current liabilities of the statements of financial position as of the respective dates indicated:

	As of December 31,			As of January 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Current assets				
Inventories	140,819	122,714	133,696	144,100
Trade receivables	99,736	121,028	264,478	297,610
Notes receivables	5,154	8,720	24,336	22,946
Financial assets at FVOCI	19,408	14,110	5,211	2,166
Prepayments, other receivables and other assets	22,219	21,715	19,921	65,254
Income tax recoverable	1	1,695	22	1
Restricted bank deposits	—	40,160	26,379	31,222
Cash and cash equivalents	1,343,509	1,081,076	795,896	655,353
Total current assets	**1,630,846**	**1,411,218**	**1,269,939**	**1,218,652**
Current liabilities				
Trade payables	26,001	22,519	52,632	66,612
Notes payables	—	—	20,548	31,074
Other payables and accruals	66,262	28,394	98,156	73,069
Contract liabilities	2,098	1,452	1,862	1,888
Lease liabilities	908	938	4,812	5,329
Provisions	—	646	693	693
Total current liabilities	**95,269**	**53,949**	**178,703**	**178,665**
Net current assets	**1,535,577**	**1,357,269**	**1,091,236**	**1,039,987**

Our net current assets decreased from RMB1,535.6 million as of December 31, 2023 to RMB1,357.3 million as of December 31, 2024, primarily due to (i) a decrease of RMB262.4 million in cash and cash equivalents, primarily reflecting cash outflows to support business expansion in response to growing market demand, including capital expenditures for capacity expansion and equity investments, and (ii) a decrease in inventories of RMB18.1 million, primarily attributable to improved sales in line with market recovery and the impact of rapid technological iteration, leading to a decline in the market prices and demand of certain products, partially offset by a decrease in other payables and accruals of RMB37.9 million, primarily attributable to the timing of the final settlement for the construction of a company building.

Our net current assets further decreased from RMB1,357.3 million as of December 31, 2024 to RMB1,091.2 million as of December 31, 2025, primarily due to (i) a decrease of RMB285.2 million in cash and cash equivalents, primarily reflecting cash outflows to support business expansion in response to growing market demand, including capital expenditures for capacity expansion and equity investments, and (ii) an increase of RMB69.8 million in other payables and accruals, primarily attributable to the increased equipment procurement, partially offset by an increase of RMB143.5 million in trade receivables, primarily due to our business growth.

Our net current assets decreased from RMB1,091.2 million as of December 31, 2025 to RMB1,040.0 million as of January 31, 2026, primarily due to a decrease of RMB140.5 million in cash and cash equivalents, primarily attributable to reflecting cash outflows to support business expansion in response to growing market demand, including capital expenditures for capacity expansion, partially offset by (i) an increase of RMB45.3 million in prepayments, other receivables and other assets, primarily attributable to advance payments for equipment procurement to support our capacity expansion, and (ii) an increase of RMB33.1 million in trade receivables, primarily attributable to our business growth.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Lease liabilities	1,888	4,351	67,333	66,453
Total	**1,888**	**4,351**	**67,333**	**66,453**

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Current	908	938	4,812	5,329
Non-current	980	3,413	62,521	61,124
Total	**1,888**	**4,351**	**67,333**	**66,453**

During the Track Record Period, our lease liabilities were primarily incurred in relation to our lease of land and buildings used for manufacturing plant and office. As of December 31, 2023, 2024, 2025 and January 31, 2026, our total lease liabilities amounted to RMB1.9 million, RMB4.4 million, RMB67.3 million, and RMB66.5 million, respectively.

As of January 31, 2026, we had unutilized banking facilities of RMB34.5 million.

Except as disclosed above and as otherwise disclosed in this document, as of January 31, 2026, being our indebtedness statement date, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since January 31, 2026 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of and for the period indicated:

	As of/for the year ended December 31,		
	2023	2024	2025
Gross profit margin	28.7%	23.4%	55.7%
Revenue growth rate(1)	N/A	74.6%	138.5%
Current ratio(2)	17.1	26.2	7.1
Quick ratio(3)	15.6	23.9	6.4
Liability-to-asset ratio(4)	5.4%	3.5%	9.8%
Net profit/(loss) margin	13.5%	(2.4%)	31.7%
Adjusted net profit/(loss) margin (non-IFRS measure)(5)	15.9%	(1.0%)	37.1%

Notes:

(1) Revenue growth rate is calculated as the year-on-year growth rate of revenue.

(2) Current ratio equals current assets divided by current liabilities as of the relevant year end.

(3) Quick ratio equals current assets excluding inventories divided by current liabilities as of the relevant year end.

(4) Liability-to-asset ratio was calculated by dividing total liabilities by total assets.

(5) Adjusted net profit/(loss) margin (non-IFRS measure) represents adjusted net profit/(loss) for the year (non-IFRS measure) divided by revenue for the same year and multiplied by 100%.

Gross Profit Margin

In 2023, 2024 and 2025, our gross profit margin was 28.7%, 23.4% and 55.7%, respectively. For details, see "— Year to Year Comparison of Results of Operations."

Revenue growth rate

In 2024 and 2025, our revenue growth rate was 74.6% and 138.5%, respectively. For details, see "— Year to Year Comparison of Results of Operations — Year Ended December 31, 2025 Compared to Year Ended December 31, 2024 — Revenue" and "— Year to Year Comparison of Results of Operations — Year Ended December 31, 2024 Compared to Year Ended December 31, 2023 — Revenue."

Current Ratio

Our current ratio increased significantly from 17.1 times as of December 31, 2023 to 26.2 times as of December 31, 2024, primarily because the reduction in current liabilities outpaced the changes in our current assets.

Our current ratio decreased from 26.2 times as of December 31, 2024 to 7.1 times as of December 31, 2025, primarily because the reduction in current assets outpaced the changes in our current liabilities.

For details on the reasons for changes in our current assets and current liabilities, see "— Description of Certain Key Items of Consolidated Statements of Financial Position."

Quick Ratio

Our quick ratio increased significantly from 15.6 times as of December 31, 2023 to 23.9 times as of December 31, 2024. Our quick ratio decreased from 23.9 times as of December 31, 2024 to 6.4 times as of December 31, 2025. Our quick ratio generally followed the trend of our current ratio and the changes were for the same reason.

For details on the reasons for changes in our current assets and current liabilities, see "— Description of Certain Key Items of Consolidated Statements of Financial Position."

Liability-to-asset Ratio

Our liability-to-asset ratio decreased from 5.4% in 2023 to 3.5% in 2024, primarily because the reduction in our liabilities outpaced the changes in our assets.

Our liability-to-asset ratio increased from 3.5% in 2024 to 9.8% in 2025, primarily because the reduction in our assets outpaced the changes in our liabilities.

For details on the reasons for changes in our assets and liabilities, see "— Description of Certain Key Items of Consolidated Statements of Financial Position."

Net Profit/(Loss) Margin

We recorded net profit margin of 13.5% in 2023, net loss margin of 2.4% in 2024, and net profit margin of 31.7% in 2025. For a detailed analysis of our net profit/(loss) margin, see "— Year to Year Comparison of Results of Operations."

Adjusted Net Profit/(Loss) Margin (Non-IFRS Measure)

We recorded adjusted net profit margin of 15.9% in 2023, adjusted net loss margin of 1.0% in 2024, and adjusted net profit margin of 37.1% in 2025. See "— Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Non-IFRS Measure" for details.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view that, taking into account our available resources including cash and cash equivalents on hand and the net estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditure during the Track Record Period primarily consisted of (i) purchase of property, plant and equipment, and (ii) purchase of intangible assets. The details of our capital expenditure during the Track Record Period are summarized as follows.

	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of property, plant and equipment	62,366	105,412	409,374
Purchase of intangible assets	4,863	533	45
Total	**67,229**	**105,945**	**409,419**

Capital Commitments

Our capital commitments primarily relate to purchase of property, plant and equipment contracted but not provided for. Our capital commitments were RMB30.2 million, RMB27.6 million and RMB488.8 million as of December 31, 2023, 2024 and 2025, respectively.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, and January 31, 2026, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities. Our Directors confirmed that there had not been any material change in the contingent liabilities of our Company since January 31, 2026 and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details about our related party transactions during the Track Record Period, see Note 45 to the Accountants' Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's-length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

RISK DISCLOSURES

We are exposed to various market risks, including credit risk, market risk, currency risk, and liquidity risk. For details of our risks associated with the financial instruments and the policies on how to mitigate these risks, please refer to Note 42 to the Accountants' Report included in Appendix I to this document.

DIVIDENDS

During the Track Record Period, we paid dividends of RMB39.4 million, RMB8.5 million and RMB42.7 million in 2023, 2024 and 2025, respectively.

Pursuant to our Articles of Association and in accordance with the PRC Company Law and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (上市公司監管指引第3號 — 上市公司現金分紅(2025年修訂)), we have adopted a general annual dividend policy, according to which we may declare dividend by way of cash dividends, stock dividends, or a combination of cash and stock dividends. We prioritize cash dividends. Where specific conditions are met, we shall distribute cash dividends over the past three years in an amount not less than 30% of the average annual distributable profit we realized over the same periods after making the required appropriations to statutory reserves. The aforementioned specific conditions include: (i) we have realized positive distributable profits for the relevant year; (ii) our cumulative distributable profits as of such year remain positive; (iii) our auditors are able to issue an unconditioned opinion on our financial statements for the relevant year; (iv) we have sufficient capital resources, profitability and cash flow to support our ongoing and long-term operations; (v) we do not anticipate any material investment plans or capital expenditures in the next twelve months (excluding investment of raised funds); and (vi) there are no other material circumstances that would cause our shareholders' meeting to approve a resolution not to distribute cash dividends. However, any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained earnings of RMB278.0 million, which were available for distribution to Shareholders.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] will be approximately HK$[REDACTED] (assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per Share), representing approximately [REDACTED]% of the estimated [REDACTED] from the [REDACTED] assuming no Shares are issued pursuant to the [REDACTED]. The [REDACTED] consist of (i) [REDACTED]-related expenses, including [REDACTED], of approximately HK$[REDACTED], and (ii) non-[REDACTED]-related expenses of approximately HK$[REDACTED], comprising (a) fees and expenses of legal advisors and reporting accountants of approximately HK$[REDACTED], and (b) other fees and expenses of approximately HK$[REDACTED]. Approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) of the estimated [REDACTED] is directly attributable to the [REDACTED] and will be accounted for as a deduction from equity upon completion of the [REDACTED]. Approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) is expected to be charged in profit or loss before or upon completion of the [REDACTED]. We do not believe any of the above fees or expenses are material or are unusually high for our Group. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Appendix II — Unaudited [REDACTED] Financial Information."

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.