

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants’ Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

OVERVIEW

We are a world-leading one-stop platform-based technology company in the optical interconnect industry. Our success is driven by our relentless innovation. Underpinned by our highly reusable technology platforms and deep vertical integration across the value chain, we offer one-stop optical interconnect solutions spanning passive optical components, active optical components and integration services, becoming a key enabler for AI computing infrastructure in the global AI era.

We achieved continuous growth during the Track Record Period. Our revenue grew from RMB1.9 billion in 2023 to RMB3.2 billion in 2024, and further to RMB5.1 billion in 2025, representing a CAGR of 63.0%. In addition, our gross profit margin was 53.1%, 56.3% and 52.9% in 2023, 2024 and 2025, respectively. Moreover, our net profit increased from RMB0.7 billion in 2023 to RMB1.3 billion in 2024 and further to RMB2.0 billion in 2025, representing a CAGR of 66.0%.

BASIS OF PREPARATION

Our historical financial information during the Track Record Period has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board. We have early adopted all IFRS effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, in the preparation of our historical financial information throughout the Track Record Period. Our historical financial information has been prepared under the historical cost convention, except for bills receivables at fair value through other comprehensive income and financial assets at fair value through profit or loss, which have been measured at fair value. Our historical financial information is presented in Renminbi and all values are rounded to the nearest thousand except otherwise indicated.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by the following significant factors:

Global Market Demand

Our results of operations are affected by demand for global optical interconnects, which is driven by growing demand for computing power in the AI era. As penetration and large-scale deployment of AI models and related applications continue to accelerate globally, demand for computing power is experiencing unprecedented growth, prompting global cloud service providers to further increase their AI infrastructure investments. As a critical enabler for breakthroughs in bandwidth and power consumption bottlenecks in AI infrastructure, the optical interconnects industry is poised to experience strong growth

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benefiting from highly-visible long-term opportunities. The optical components we provide represent mission-critical and high-value segments of the optical interconnect value chain. As optical interconnect technologies continue to evolve towards higher speeds, higher levels of integration and more complex packaging architectures, the optical component industry is expected to gain further growth momentum. These trends are anticipated to provide us with enhanced growth opportunities and support our financial performance.

Market Position and Value Chain Positioning

We are the world’s largest integrated optical component solutions provider in terms of total revenue in 2025, according to Frost & Sullivan. Our market position provides us with multiple edges, including first-mover advantages in frontier products, deeper customer relationships and more resilient global supply chains, all of which empower us to capture the significant growth opportunities arising from the AI wave and support our overall results of operations.

As a core participant in the optical interconnects value chain, we provide downstream customers with one-stop optical interconnect solutions by leveraging our extensive R&D capabilities in high-speed optical components. We have established a systematic product portfolio based on four basic materials, ten core technology platforms and eight optical interconnect solutions, covering a broad range of application scenarios across technology architectures. Our positioning within the value chain, together with the breadth of our product portfolio, helps mitigate the impact of potential demand fluctuations in any single product or solution on our growth, thereby enhancing our resilience throughout industry cycles and supporting our sustained growth and overall performance.

R&D Investment and Technology Moat

The optical component industry is characterized by continuously increasing performance requirements, rapid technology iteration and ongoing architectural optimization. As a result, our R&D investment, particularly in technology platforms and frontier technologies, is a key factor affecting our results of operations. Adhering to a market-oriented R&D philosophy, we leverage customer feedback to propel front-end R&D, which enables us to precisely anticipate technology trends. We have continuously made substantial R&D investment in key technology areas in optical interconnects and basic materials. This enables us to build robust technology reserves aligned with market trends and respond promptly to customers’ new product roadmaps and evolving industry standards, thereby driving our continuous development and commercialization of higher-value-add products, further enhancing our product competitiveness and overall business performance.

In 2023, 2024 and 2025, our R&D expenses amounted to RMB143.3 million, RMB232.2 million and RMB266.6 million, respectively, representing 7.4%, 7.2% and 5.2% of our total revenue for these respective years. As of December 31, 2025, we had 774 R&D personnel, accounting for 71.0% of non-manufacturing employees. We intend to continuously increase our R&D investment, expand and deepen our core technology platforms, strengthen our vertical integration capabilities and enhance our one-stop optical interconnect solutions, thereby reinforcing our technology moat and supporting our long-term performance.

Customer Relationship Deepening and Expansion

Our revenue growth and profitability are closely tied to our ability to provide professional services to our customers, respond promptly to their needs and address their key pain points. If we fail to accurately understand customer needs or to provide timely solutions that align with their product iteration cycles, our revenue growth may be adversely affected. To this end, we adhere to our core operating value of “Trust First” and continuously increase our R&D investment and strengthen our one-stop optical interconnect solution capabilities. We are one of the few integrated and scaled optical interconnect solution providers globally that are capable of offering passive optical components, active optical components and integration

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services. Through deep engagement in joint development and product iteration with leading customers, we are able to rapidly align with customers’ technology evolution and deliver highly customized solutions based on their needs. We have also established localized manufacturing and service networks across multiple regions globally, enabling us to flexibly respond to the diverse needs of customers worldwide, and ensure efficient and high-quality product and service delivery. These capabilities help us maintain customer engagement, enhance customer stickiness and provide us with greater visibility into future revenue growth.

We have established a robust customer base by leveraging our superior and scarce one-stop optical interconnect solution capabilities, as well as our technology moat built on outstanding ultra-precision processing capabilities, industry-leading delivery efficiency and superior yield performance. We have established long-term cooperation with world-leading optical transceiver manufacturers and fostered in-depth partnerships with world-leading AI computing infrastructure providers. Through our global service network, we have collaborated with our major customers for an average of over 10 years, and we will further broaden and deepen such collaborations. Going forward, we intend to further strengthen our position within the ecosystem of major customers by supporting their strategic AI initiatives, and actively develop new customers. These initiatives are expected to cement our market share gains and support our sustained growth.

Product Mix

Our product portfolio spans multiple technology platforms and serves a diverse range of customers and application scenarios. As customer requirements evolve and our collaborations with them continue to deepen, the specifications, technical architectures and customization levels of the products we deliver may change, which could lead to variations in product value. Accordingly, changes in our product mix may affect our gross profit margin.

Gross profit margins vary across our products due to differences in technical complexity, manufacturing processes and cost structures. During the Track Record Period, our revenue growth was primarily driven by rapid increases in demand for active optical components, which resulted in certain fluctuations in our overall gross profit margin. Going forward, our overall gross margin may continue to fluctuate as our product mix changes.

Operational Efficiency

Our results of operations are closely related to our overall operational efficiency, including supply chain management, manufacturing efficiency and working capital management. Higher operational efficiency can reduce unit costs, improve delivery capabilities and enhance business flexibility. Conversely, inadequate operational efficiency may adversely affect our gross margin and results of operations.

We have established a stable and resilient global supply chain system. As the global optical interconnect supply chain is experiencing both rapidly expanding demand and structural production capacity constraints, shortage of key raw materials may affect our delivery schedules. We continuously enhance our supply chain stability and procurement efficiency through a cross-regional procurement team, stable relationships with core suppliers and raw material backup strategies. In addition, we are accelerating our supply chain digitalization and enhancing global coordination, to ensure more effective cross-regional production allocation and responsiveness.

We continue to advance the automation and intelligent capabilities of our global production facilities, and have implemented precision manufacturing, which together enhance our manufacturing flexibility and ensure quality consistency. We have maintained high yields for 800G and 1.6T high-speed optical engines, enabling us to achieve low unit manufacturing costs.

We also continue to optimize our working capital efficiency, with a focus on inventory management. We improve our inventory turnover through digitalized demand forecasting, integrated production, supply and sales planning and lean management. Our inventory turnover days decreased from 89.4 days in 2023 to 61.1 days in 2025.

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We intend to continue strengthening our supply chain coordination, advancing intelligent manufacturing systems and enhancing working capital management, thereby improving our operational efficiency, cost competitiveness and profitability and supporting our continued business expansion.

Foreign Exchange Fluctuations

We conduct business globally. In 2023, 2024 and 2025, our overseas revenue accounted for 82.7%, 76.7% and 75.1% of our total revenue, respectively. In addition, we source certain raw materials and equipment overseas. We operate in overseas markets such as Singapore, Thailand, Japan and the United States, and relevant transactions are mainly settled in U.S. dollars. As a result, our results of operations are subject to fluctuations in exchange rates between our principal settlement currencies (such as the U.S. dollar) and Renminbi.

We prudently manage our foreign exchange risks through various measures, including factoring the potential impact of exchange rate movements in the pricing of our products and services, as well as conducting selective hedging activities where appropriate. We also continue to optimize our global supply chain footprint and localize manufacturing to better align our cross-border cash flows with our operating activities, thereby reducing the potential impact of foreign exchange fluctuations on our overall financial performance.

MATERIAL ACCOUNTING POLICIES AND CRITICAL JUDGMENTS AND 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, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants’ Report set out in Appendix I to this document.

RESULT OF OPERATIONS

The following table sets forth selected data from our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%
Revenue	1,925,578	100.0	3,225,918	100.0	5,114,531	100.0
Cost of sales	(902,433)	(46.9)	(1,408,243)	(43.7)	(2,409,541)	(47.1)
Gross profit	1,023,145	53.1	1,817,675	56.3	2,704,990	52.9
Other income and gains	94,022	4.9	134,995	4.2	143,096	2.8
Selling and marketing expenses	(18,196)	(0.9)	(22,986)	(0.7)	(21,285)	(0.4)
Administrative expenses	(80,491)	(4.2)	(131,681)	(4.1)	(130,012)	(2.5)
Research and development expenses	(143,256)	(7.4)	(232,236)	(7.2)	(266,581)	(5.2)

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	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Impairment losses on financial assets, net	(6,124)	(0.3)	(18,348)	(0.6)	(18,636)	(0.4)
Other expenses	(21,291)	(1.1)	(4,244)	(0.1)	(56,425)	(1.1)
Finance costs	(545)	(0.0)	(1,558)	(0.0)	(1,181)	(0.0)
Share of profits of an associate	239	0.0	367	0.0	651	0.0
Profit before tax	847,503	44.0	1,541,984	47.8	2,354,617	46.0
Income tax expense	(111,108)	(5.8)	(192,225)	(6.0)	(326,200)	(6.4)
Profit for the year	<u>736,395</u>	<u>38.2</u>	<u>1,349,759</u>	<u>41.8</u>	<u>2,028,417</u>	<u>39.7</u>
Attributable to:						
Owners of the parent	736,396	38.2	1,350,417	41.9	2,028,007	39.7
Non-controlling interests	(1)	(0.0)	(658)	(0.0)	410	0.0
	<u>736,395</u>	<u>38.2</u>	<u>1,349,759</u>	<u>41.8</u>	<u>2,028,417</u>	<u>39.7</u>

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Revenue by Segment

During the Track Record Period, our revenue was primarily derived from sales of passive and active optical components. During the Track Record Period, our revenue from both passive optical components and active optical components increased significantly. The following table sets forth a breakdown of our revenue by segment, in absolute amounts and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Passive optical components	1,175,368	61.0	1,563,797	48.5	2,064,648	40.4
Active optical components	740,929	38.5	1,642,191	50.9	2,969,556	58.1
Others ⁽¹⁾	9,281	0.5	19,930	0.6	80,327	1.6
Total	<u>1,925,578</u>	<u>100.0</u>	<u>3,225,918</u>	<u>100.0</u>	<u>5,114,531</u>	<u>100.0</u>

(1) Include revenue generated from our integration services and sales of surplus raw materials and scrap raw materials.

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Revenue by Geography

Our products are sold to customers globally. The following table sets forth a breakdown of our revenue by geography, in absolute amounts and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Chinese Mainland ⁽¹⁾	333,215	17.3	752,513	23.3	1,275,552	24.9
Overseas markets	1,592,363	82.7	2,473,405	76.7	3,838,979	75.1
Asia ⁽²⁾	1,537,966	79.9	2,388,918	74.1	3,766,770	73.6
North America	42,548	2.2	76,489	2.4	66,233	1.3
Others	11,849	0.6	7,998	0.2	5,976	0.1
Total	<u>1,925,578</u>	<u>100.0</u>	<u>3,225,918</u>	<u>100.0</u>	<u>5,114,531</u>	<u>100.0</u>

(1) Excludes bonded areas of the PRC.

(2) Primarily includes Singapore and bonded areas of the PRC, but excludes Chinese Mainland.

During the Track Record Period, we generated the majority of our revenue from overseas markets, mainly Asia, which primarily includes Singapore and bonded areas of the PRC, but excludes Chinese Mainland. We intend to strategically enhance business relationships with high-quality customers both domestically and overseas to further increase our sales.

Cost of Sales

Our cost of sales consists of (i) raw material cost; (ii) manufacturing cost, including depreciation of property, plant and equipment, utilities, consumables, and indirect labor cost relating to our production management personnel; (iii) direct labor cost relating to our manufacturing personnel; and (iv) provision for inventory impairment. The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of total cost of sales, for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Raw material cost	606,862	67.2	957,476	68.0	1,777,198	73.8
Manufacturing cost	143,905	15.9	217,372	15.4	291,754	12.1
Direct labor cost	135,112	15.0	216,337	15.4	308,153	12.8
Provision for inventory impairment	16,554	1.8	17,058	1.2	32,436	1.3
Total	<u>902,433</u>	<u>100.0</u>	<u>1,408,243</u>	<u>100.0</u>	<u>2,409,541</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

In 2023, 2024 and 2025, our overall gross profit amounted to RMB1,023.1 million, RMB1,817.7 million and RMB2,705.0 million, respectively, and our overall gross profit margin was 53.1%, 56.3% and 52.9%, respectively. Our gross profit margin fluctuated during the Track Record Period due to factors including product mix and fluctuations in raw material and labor costs.

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Gross Profit and Gross Profit Margin by Segment

The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Passive optical components	704,976	60.0	1,065,813	68.2	1,307,408	63.3
Active optical components	328,945	44.4	759,804	46.3	1,369,444	46.1
Others	5,778	62.3	9,116	45.7	60,574	75.4
Provision for inventory impairment	(16,554)	—	(17,058)	—	(32,436)	—
Total	<u>1,023,145</u>	53.1	<u>1,817,675</u>	56.3	<u>2,704,990</u>	52.9

Gross Profit and Gross Profit Margin by Geography

The following table sets forth a breakdown of our gross profit and gross profit margin by geography for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Chinese Mainland ⁽¹⁾	168,443	50.6	449,257	59.7	756,839	59.3
Overseas markets ⁽²⁾	871,256	54.7	1,385,476	56.0	1,980,587	51.6
Provision for inventory impairment	(16,554)	—	(17,058)	—	(32,436)	—
Total	<u>1,023,145</u>	53.1	<u>1,817,675</u>	56.3	<u>2,704,990</u>	52.9

(1) Exclude bonded areas of the PRC.

(2) Include bonded areas of the PRC.

Other Income and Gains

Our other income during the Track Record Period included: (i) bank interest income on bank deposits, (ii) government grants, mainly representing incentives granted by local government authorities, (iii) interest income from financial assets at fair value through profit or loss (“FVTPL”) in connection with wealth management products, (iv) additional deduction for VAT and refund of service fees for withholding individual income tax, and (v) rental income. Our other gains during the Track Record Period consisted of: (i) foreign exchange gains, net, primarily arising from net gains due to foreign currency fluctuations in relation to foreign currency-denominated assets and liabilities held by us, (ii) fair value gains on financial assets at FVTPL, mainly related to wealth management products, (iii) gains on disposal of foreign currency forward contracts, (iv) gains on lease modification, (v) gains on disposal of items of property, plant and equipment, and (vi) others, mainly including gains on sales of obsolete materials.

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The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Other income						
Bank interest income	52,837	56.2	67,156	49.7	81,249	56.8
Government grants	14,773	15.7	28,039	20.8	46,601	32.6
Interest income from financial assets at FVTPL	15,344	16.3	10,511	7.8	7,992	5.6
Additional deduction for VAT and refund of service fees for withholding individual income tax	1,675	1.8	2,748	2.0	4,598	3.2
Rental income	7	0.0	7	0.0	7	0.0
Subtotal	84,636	90.0	108,461	80.3	140,447	98.1
Gains						
Foreign exchange gains, net	7,104	7.6	25,947	19.2	—	—
Fair value gains on financial assets at FVTPL	1,196	1.3	21	0.0	53	0.0
Gains on disposal of foreign currency forward contracts	—	—	—	—	1,101	0.8
Gains on lease modification	820	0.9	—	—	—	—
Gains on disposal of items of property, plant and equipment	164	0.2	—	—	651	0.5
Others	102	0.1	566	0.4	844	0.6
Subtotal	9,386	10.0	26,534	19.7	2,649	1.9
Total	94,022	100.0	134,995	100.0	143,096	100.0

During the Track Record Period, we invested in wealth management products from time to time to better utilize our idle cash without interfering with our business operations. We only invest in wealth management products with low-risk, high-liquidity and high-safety issued by qualified financial institutions. We have investment and risk control policies that set forth our investment approval and review processes. Our finance department is responsible for conducting feasibility analysis and risk assessment and submitting the investment plan for approval by our chairman, Board of Directors or Shareholders’ meeting, depending on the source of funds and the investment amount. We assign designated personnel from the finance department to monitor the wealth management products we purchased on an ongoing basis and redeem such products in a timely manner when the investment matures. We intend to continue to invest in short-term and low-risk wealth management products and will ensure all such investments comply with applicable laws and regulations, including the relevant requirements under Chapter 14 of the Listing Rules after the [REDACTED].

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Selling and Marketing Expenses

Our selling and marketing expenses consist of: (i) salaries and compensations for our sales and marketing staff, (ii) advertising and promotion expenses, (iii) business hospitality expenses, (iv) share-based compensation granted to our sales and marketing staff, (v) office and travel expenses incurred for our sales and marketing activities, and (vi) others, including depreciation of right-of-use assets and miscellaneous expenses incurred for our sales and marketing activities. The following table sets forth a breakdown of our selling and marketing expenses for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Salaries and compensations	13,584	74.7	15,634	68.0	14,737	69.2
Advertising and promotion expenses	831	4.6	1,484	6.5	2,245	10.5
Business hospitality expenses	1,661	9.1	1,215	5.3	1,399	6.6
Share-based compensation	242	1.3	2,959	12.9	1,370	6.4
Office and travel expenses	1,429	7.9	1,330	5.8	1,365	6.4
Others	449	2.5	364	1.6	169	0.8
Total	<u>18,196</u>	<u>100.0</u>	<u>22,986</u>	<u>100.0</u>	<u>21,285</u>	<u>100.0</u>

Administrative Expenses

Our administrative expenses consist of: (i) salaries and compensations for our administrative staff, (ii) share-based compensation granted to our administrative staff, (iii) depreciation and amortization for assets for administrative purposes, (iv) office and travel expenses, (v) taxes and surcharges, such as property and land taxes, stamp duty, and vehicle and vessel usage tax, (vi) consumables and repair expenses, (vii) professional service fees, and (viii) others, including safety production related expenses and other miscellaneous expenses. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Salaries and compensations	38,999	48.5	40,372	30.7	45,976	35.4
Share-based compensation	5,569	6.9	47,348	36.0	30,267	23.3
Depreciation and amortization	13,579	16.9	14,733	11.2	20,533	15.8
Office and travel expenses	10,811	13.4	10,464	7.9	9,352	7.2
Taxes and surcharges	3,919	4.9	5,447	4.1	7,629	5.9
Consumables and repair expenses	808	1.0	2,015	1.5	4,788	3.7
Professional service fees	1,603	2.0	1,979	1.5	2,107	1.6
Others	5,203	6.5	9,323	7.1	9,360	7.2
Total	<u>80,491</u>	<u>100.0</u>	<u>131,681</u>	<u>100.0</u>	<u>130,012</u>	<u>100.0</u>

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Research and Development Expenses

Our research and development expenses consist of: (i) salaries and compensations for our R&D staff, (ii) direct materials incurred from our R&D activities, (iii) share-based compensation granted to our R&D staff, (iv) depreciation and amortization for assets related to our R&D activities, and (v) others, mainly including consumables, testing and travel expenses. The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Salaries and compensations	94,940	66.3	129,341	55.7	159,113	59.7
Direct materials	21,423	15.0	34,434	14.8	51,028	19.1
Share-based compensation	3,025	2.1	33,968	14.6	25,732	9.7
Depreciation and amortization	20,566	14.4	24,052	10.4	24,901	9.3
Others	3,302	2.3	10,441	4.5	5,807	2.2
Total	<u>143,256</u>	<u>100.0</u>	<u>232,236</u>	<u>100.0</u>	<u>266,581</u>	<u>100.0</u>

Impairment Losses on Financial Assets, Net

During the Track Record Period, our impairment losses on financial assets, net represented primarily bad debt provision for trade receivables. We recorded impairment losses on financial assets, net in the amount of RMB6.1 million, RMB18.3 million and RMB18.6 million in 2023, 2024 and 2025, respectively.

Other Expenses

Our other expenses during the Track Record Period mainly consisted of net foreign exchange losses attributable to fluctuations in foreign exchange rates, losses from disposal of obsolete equipment, losses from disposal of long-term equity investments, and donations. We recorded other expenses in the amount of RMB21.3 million, RMB4.2 million and RMB56.4 million in 2023, 2024 and 2025, respectively. Out of other expenses, we did not record net foreign exchange losses in 2023 and 2024 but recorded net foreign exchange losses of RMB47.5 million in 2025.

Finance Costs

Our finance costs consist of the interest accrued on our interest-bearing bank borrowings and lease liabilities. The following table sets forth a breakdown of our finance costs for the years indicated:

	Year Ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on interest-bearing bank borrowings	174	1,260	965
Interest on lease liabilities	371	298	216
Total	<u>545</u>	<u>1,558</u>	<u>1,181</u>

Share of Profits of an Associate

Our share of profits of an associate during the Track Record Period was in relation to our investment in Wuhan Optics Valley Information Optoelectronics Innovation Center Co., Ltd. (“**Wuhan Optics Valley**”). In 2023, 2024 and 2025, we recorded share of profits of an associate of RMB0.2 million, RMB0.4 million and RMB0.7 million, respectively. For details, see Note 17 to the Accountants’ Report as set out in Appendix I to this document.

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Income Tax Expenses

Our income tax expenses consist of current income tax and deferred income tax. 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. In 2023, 2024 and 2025, we recorded income tax expenses of RMB111.1 million, RMB192.2 million and RMB326.2 million, respectively. See Note 10 to the Accountants’ Report included in Appendix I to this document for more information.

During the Track Record Period, companies within our Group that were incorporated in Chinese Mainland were subject to a preferential corporate income tax rate of 15% as High and New Technology Enterprises, except that one of our subsidiaries was taxed at the statutory rate of 25% and another qualified as a small-scaled minimal-profit enterprise and enjoyed certain preferential tax treatment. Our overseas subsidiaries were subject to the applicable income tax rates in their respective jurisdictions.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 58.5% from RMB3,225.9 million in 2024 to RMB5,114.5 million in 2025. This increase was primarily due to an RMB1,327.4 million, or 80.8%, increase in revenue from sales of active optical components and an RMB500.9 million, or 32.0%, increase in revenue from sales of passive optical components. These increases in sales of optical components were primarily driven by continued growth in end-market demand for high-performance optical components driven by the rapid development of AI computing and the ongoing expansion of global data center infrastructure. Specifically, the increase in our revenue from passive optical components was primarily attributable to higher sales of our FAUs, Z-Blocks and isolators. The increase in our revenue from active optical components was primarily attributable to higher sales of 1.6T optical engines.

In terms of geographic market, our revenue increase from 2024 to 2025 was due to (i) an RMB1,365.6 million increase in revenue from overseas markets, primarily attributable to an increase in revenue from Asia (primarily including Singapore and bonded areas of the PRC, but excluding Chinese Mainland), and (ii) an RMB523.0 million increase in revenue from Chinese Mainland.

Cost of Sales

Our cost of sales increased by 71.1% from RMB1,408.2 million in 2024 to RMB2,409.5 million in 2025, primarily attributable to an RMB819.7 million increase in raw material cost, an RMB91.8 million increase in direct labor cost and an RMB74.4 million increase in manufacturing cost, generally in line with our revenue growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 48.8% from RMB1,817.7 million in 2024 to RMB2,705.0 million in 2025. Our gross profit margin decreased from 56.3% in 2024 to 52.9% in 2025, primarily attributable to (i) changes in our product mix, namely, the proportion of our revenue from active optical components increased from 50.9% to 58.1%, and these products have a lower gross profit margin than our passive optical components primarily due to higher raw material costs of active optical components, and (ii) higher unit cost of our products while our Thailand production facility was ramping up its production capacity in 2025. The gross profit margin of our passive optical components decreased from 68.2% in 2024 to 63.3% in 2025, primarily due to changes in our product mix and increases in raw material and labor costs. The gross profit margin of our active optical components remained relatively stable at 46.3% in 2024 and 46.1% in 2025.

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Our gross profit margin for sales to Chinese Mainland remained relatively stable at 59.7% in 2024 and 59.3% in 2025. Our gross profit margin for sales to overseas markets decreased from 56.0% in 2024 to 51.6% in 2025, primarily due to changes in the mix of our products sold in these markets.

Other Income and Gains

Our other income and gains increased by 6.0% from RMB135.0 million in 2024 to RMB143.1 million in 2025, primarily attributable to (i) an RMB18.6 million increase in government grants, and (ii) an RMB14.1 million increase in bank interest income due to our increased balance of bank deposits and higher interest rates, partially offset by the absence of net foreign exchange gains in 2025, compared to RMB25.9 million of such gains recognized in 2024; the foreign currency fluctuation during 2025 resulted in net foreign exchange losses to us, which were recorded under other expenses.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 7.4% from RMB23.0 million in 2024 to RMB21.3 million in 2025, primarily attributable to (i) an RMB1.6 million decrease in share-based compensation, and (ii) an RMB0.9 million decrease in salaries and compensations, mainly due to decreased headcount of our sales and marketing staff in certain overseas region, offset in part by an RMB0.8 million increase in advertising and promotion expenses as we participated in more exhibitions and marketing activities.

Administrative Expenses

Our administrative expenses decreased slightly from RMB131.7 million in 2024 to RMB130.0 million in 2025, primarily attributable to an RMB17.1 million decrease in share-based compensation, offset in part by (i) an RMB5.8 million increase in depreciation and amortization, resulting from an increase in the assets for administrative purposes, and (ii) an RMB5.6 million increase in salaries and compensations, mainly due to an increase in headcount and an annual increase in remuneration of our administrative staff.

Research and Development Expenses

Our research and development expenses increased by 14.8% from RMB232.2 million in 2024 to RMB266.6 million in 2025, primarily attributable to (i) an RMB29.8 million increase in salaries and compensations, mainly due to an increase in headcount and an annual increase in remuneration of our R&D staff, and (ii) an RMB16.6 million increase in direct materials expenses due to our increased R&D activities. These factors were offset in part by an RMB8.2 million decrease in share-based compensation.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net increased slightly from RMB18.3 million in 2024 to RMB18.6 million in 2025, attributable to an increase in our trade receivables.

Other Expenses

Our other expenses increased significantly from RMB4.2 million in 2024 to RMB56.4 million in 2025, primarily due to net foreign exchange losses of RMB47.5 million arising from exchange rate fluctuations in 2025.

Finance Costs

Our finance costs decreased by 24.2% from RMB1.6 million in 2024 to RMB1.2 million in 2025, primarily due to a decrease in interest on bank borrowings as we repaid our bank borrowings upon maturity in 2025.

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Share of Profits of an Associate

Our share of profits of an associate increased by 77.4% from RMB0.4 million in 2024 to RMB0.7 million in 2025, representing our share of profits of Wuhan Optics Valley.

Income Tax Expenses

Our income tax expenses increased by 69.7% from RMB192.2 million in 2024 to RMB326.2 million in 2025, primarily due to an increase in our profit before tax. Our effective income tax rate (representing income tax expenses as a percentage of profit before tax) increased slightly from 12.5% in 2024 to 13.9% in 2025, mainly as a result of changes in the profit contribution mix of our subsidiaries that are subject to different income tax rates.

Profit for the Year

Our profit for the year increased by 50.3% from RMB1,349.8 million in 2024 to RMB2,028.4 million in 2025. Our net profit margin decreased from 41.8% in 2024 to 39.7% in 2025, primarily attributable to a decrease in our gross profit margin, offset in part by the fact that our revenue increased faster than our operating expenses.

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

Revenue

Our revenue increased by 67.5% from RMB1,925.6 million in 2023 to RMB3,225.9 million in 2024. This increase was primarily due to an RMB901.3 million, or 121.6%, increase in revenue from sales of active optical components and an RMB388.4 million, or 33.0%, increase in revenue from sales of passive optical components. These increases in sales of our passive and active optical components were primarily driven by continued growth in end-market demand for high-performance optical components, which was in turn supported by the accelerated development of AI computing and the expansion of global data center infrastructure. Specifically, the increase in our revenue from passive optical components was primarily attributable to higher sales of FAUs. The increase in our revenue from active optical components was primarily attributable to higher sales of 400G, 800G and 1.6T optical engines.

In terms of geographic market, our revenue increase from 2023 to 2024 was due to (i) an RMB881.0 million increase in revenue from overseas markets, primarily attributable to an increase in revenue from Asia (primarily including Singapore and bonded areas of the PRC, but excluding Chinese Mainland), and (ii) an RMB419.3 million increase in revenue from Chinese Mainland.

Cost of Sales

Our cost of sales increased by 56.0% from RMB902.4 million in 2023 to RMB1,408.2 million in 2024, primarily attributable to an RMB350.6 million increase in raw materials cost, an RMB81.2 million increase in direct labor cost and an RMB73.5 million increase in manufacturing cost, generally in line with our revenue growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 77.7% from RMB1,023.1 million in 2023 to RMB1,817.7 million in 2024. Our gross profit margin increased from 53.1% in 2023 to 56.3% in 2024, which was primarily due to the increases in the gross profit margins of both of our passive and active optical components. The gross profit margin of our passive optical components increased from 60.0% in 2023 to 68.2% in 2024, primarily

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driven by (i) a higher proportion of our sales generated from higher-margin products, and (ii) lower unit cost as a result of our continuously improving automation levels and operational efficiency. The gross profit margin of our active optical components increased from 44.4% in 2023 to 46.3% in 2024, primarily due to (i) a higher proportion of our sales generated from higher-margin products, and (ii) our enhanced production efficiency and various cost-saving initiatives. These factors were offset in part by an increase in the proportion of our revenue from sales of active optical components, which have a lower gross profit margin than our passive optical components primarily due to their higher raw material costs.

Our gross profit margin for sales to Chinese Mainland increased from 50.6% in 2023 to 59.7% in 2024, and our gross profit margin for sales to overseas markets increased from 54.7% in 2023 to 56.0% in 2024, primarily due to changes in the mix of our products sold in these markets.

Other Income and Gains

Our other income and gains increased by 43.6% from RMB94.0 million in 2023 to RMB135.0 million in 2024, primarily attributable to (i) an RMB18.8 million increase in net foreign exchange gains, primarily due to favorable exchange rate movements, (ii) an RMB14.3 million increase in bank interest income due to our increased balance of bank deposits and higher interest rates, and (iii) an RMB13.3 million increase in government grants.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 26.3% from RMB18.2 million in 2023 to RMB23.0 million in 2024, primarily attributable to (i) an RMB2.7 million increase in share-based compensation due to higher amount of restricted share awards recognized in 2024, and (ii) an RMB2.1 million increase in salaries and compensations of our sales and marketing staff.

Administrative Expenses

Our administrative expenses increased by 63.6% from RMB80.5 million in 2023 to RMB131.7 million in 2024, primarily attributable to an RMB41.8 million increase in share-based compensation due to higher amount of restricted share awards recognized in 2024.

Research and Development Expenses

Our research and development expenses increased by 62.1% from RMB143.3 million in 2023 to RMB232.2 million in 2024, primarily attributable to (i) an RMB34.4 million increase in salaries and compensations, mainly due to an increase in the headcount and an annual increase in remuneration of our R&D staff, (ii) an RMB30.9 million increase in share-based compensation of these staff due to higher amount of restricted share awards recognized in 2024, and (iii) an RMB13.0 million increase in direct materials expenses due to our increased R&D activities.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net increased from RMB6.1 million in 2023 to RMB18.3 million in 2024, attributable to an increase in our trade receivables.

Other Expenses

Our other expenses decreased by 80.1% from RMB21.3 million in 2023 to RMB4.2 million in 2024, primarily attributable to the losses we incurred from disposal of obsolete equipment in 2023, which we did not incur in 2024.

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Finance Costs

Our finance costs increased from RMB0.5 million in 2023 to RMB1.6 million in 2024, attributable to an RMB1.1 million increase in interest on bank borrowings as a result of our higher level of bank borrowings.

Share of Profits of an Associate

Our share of profits of an associate increased by 53.6% from RMB0.2 million in 2023 to RMB0.4 million in 2024, representing our shares of profits of Wuhan Optics Valley.

Income Tax Expenses

Our income tax expenses increased by 73.0% from RMB111.1 million in 2023 to RMB192.2 million in 2024, primarily due to an increase in our profit before tax. Our effective income tax rate decreased slightly from 13.1% in 2023 to 12.5% in 2024, mainly as a result of changes in the profit contribution mix of our subsidiaries that are subject to different income tax rates.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 83.3% from RMB736.4 million in 2023 to RMB1,349.8 million in 2024. Our net profit margin increased from 38.2% in 2023 to 41.8% in 2024, primarily due to an increase in our gross profit margin.

DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories consist of raw materials, work in progress and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	<u>As of December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	69,884	142,809	195,989
Work in progress	106,065	114,603	179,829
Finished goods	111,764	126,721	138,432
Less: provision for inventories	(32,065)	(34,001)	(57,054)
Total	<u>255,648</u>	<u>350,132</u>	<u>457,196</u>

We make provision for inventories if their net realizable value is lower than the cost of the inventories. We have implemented a series of inventory management procedures. See “Business—Raw Materials and Supply Chain Management—Inventory Management” for further details. We did not experience any material inventory loss or accumulation during the Track Record Period.

Our inventories increased by 37.0% from RMB255.6 million as of December 31, 2023 to RMB350.1 million as of December 31, 2024, primarily due to an RMB72.9 million increase in raw materials generally in line with our revenue growth. Our inventories increased by 30.6% from RMB350.1 million as of December 31, 2024 to RMB457.2 million as of December 31, 2025, primarily due to an RMB65.2 million increase in work in progress and an RMB53.2 million increase in raw materials generally in line with our revenue growth.

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one month	184,743	246,515	360,952
Over one month and less than one year	80,631	109,488	105,585
Over one year	22,339	28,130	47,713
Less: provision for inventories	(32,065)	(34,001)	(57,054)
Total	255,648	350,132	457,196

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

	For the Years Ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	89.4	78.5	61.1

(1) Calculated using the average of the beginning and ending inventory balances of the period, divided by cost of sales for the relevant period and multiplied by 365 days for a year.

Our inventory turnover days were 89.4 days, 78.5 days and 61.1 days in 2023, 2024 and 2025, respectively. Our inventory turnover days decreased during the Track Record Period, mainly due to our continued improvement in inventory management. As of February 28, 2026, RMB246.3 million, or 53.9%, of our inventories as of December 31, 2025 had subsequently been consumed or sold.

Trade and Bills Receivables

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	447,190	817,356	1,181,037
Impairment losses	(22,522)	(41,031)	(59,052)
Net carrying amount	424,668	776,325	1,121,985
Bills receivables at amortized cost	3,744	4,134	1,878
Bills receivables at fair value through other comprehensive income . . .	36,224	27,632	16,803
Net carrying amount	39,968	31,766	18,681
Total	464,636	808,091	1,140,666

We typically grant our customers a credit term of 30 to 90 days after delivery (for customers in overseas markets) or from the invoice date (for PRC customers). Our credit control department monitors and minimizes our credit risk. Our bills receivables represent bank acceptance notes received from our customers in lieu of cash payments. All of our trade and bills receivables at amortized cost as of December 31, 2023, 2024 and 2025 were aged within one year. We recognize impairment for our trade receivables under the expected credit loss model.

Our trade and bills receivables increased by 73.9% from RMB464.6 million as of December 31, 2023 to RMB808.1 million as of December 31, 2024, primarily due to an RMB370.2 million increase in trade receivables generally in line with our revenue growth. Our trade and bills receivables increased by 41.2% from RMB808.1 million as of December 31, 2024 to RMB1,140.7 million as of December 31, 2025, primarily due to an RMB363.7 million increase in trade receivables generally in line with our revenue growth.

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

	For the Years Ended December 31,		
	2023	2024	2025
Trade and bills receivables turnover days ⁽¹⁾	82.4	72.0	69.5

(1) Calculated using the average of the beginning and ending balances of trade and bills receivables for the period divided by revenue for the relevant period and multiplied by 365 days for a year.

Our trade and bills receivables turnover days were 82.4 days, 72.0 days and 69.5 days in 2023, 2024 and 2025. Our trade and bills receivables turnover days decreased during the Track Record Period primarily attributable to our higher sales to customers with relatively short credit terms. As of February 28, 2026, RMB767.6 million, or 67.3%, of our trade and bills receivables as of December 31, 2025 had subsequently been settled.

Prepayments, Other Receivables and Other Assets

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current portion:			
Other tax recoverable	18,210	25,359	21,372
Prepayments to suppliers	3,877	11,194	20,773
Deposits	2,103	1,071	1,526
Others	914	601	683
	25,104	38,225	44,354
Impairment allowance	(558)	(492)	(520)
Subtotal	24,546	37,733	43,834
Non-current portion:			
Prepayments for property, plant and equipment and right-of-use assets	88,935	13,312	27,778
Total	113,481	51,045	71,612

Our prepayments, other receivables and other assets included primarily (i) other tax recoverable, representing input VAT paid with respect to our procurement that can be credited against future VAT payables; (ii) prepayments to suppliers for raw materials; (iii) deposits for leases, utilities and customs services; and (iv) prepayments for property, plant and equipment and right-of-use assets.

Our prepayments, other receivables and other assets decreased from RMB113.5 million as of December 31, 2023 to RMB51.0 million as of December 31, 2024, primarily due to an RMB75.6 million decrease in prepayments for property, plant and equipment and right-of-use assets. Our prepayments, other receivables and other assets increased from RMB51.0 million as of December 31, 2024 to RMB71.6 million as of December 31, 2025, primarily due to an RMB14.5 million increase in prepayments for property, plant and equipment and right-of-use assets. As of February 28, 2026, RMB8.6 million, or 12.0%, of our prepayments, other receivables and other assets as of December 31, 2025 had subsequently been settled.

Trade and Bills Payables

Our trade and bills payables represent outstanding amounts due to our suppliers, mainly for materials and equipment. Our trade and bills payables are non-interest-bearing and are normally settled in 30 to 90 days upon receipt of the invoice.

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The following table sets forth details of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	173,047	165,660	260,113
Bills payables	75,558	92,259	92,550
Total	<u>248,605</u>	<u>257,919</u>	<u>352,663</u>

Our trade and bills payables increased slightly from RMB248.6 million as of December 31, 2023 to RMB257.9 million as of December 31, 2024. Our trade and bills payables increased by 36.7% from RMB257.9 million as of December 31, 2024 to RMB352.7 million as of December 31, 2025, primarily due to an RMB94.5 million increase in trade payables as we increased procurement of raw materials to support our business growth.

The following table sets forth an ageing analysis of our trade and bills payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	246,204	253,411	349,421
Over 1 year	2,401	4,508	3,242
Total	<u>248,605</u>	<u>257,919</u>	<u>352,663</u>

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

	For the Years Ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables turnover days ⁽¹⁾	71.5	65.6	46.2

(1) Calculated using the arithmetic mean of the beginning and ending balances of trade and bills payables for the relevant period divided by cost of sales and multiplied by 365 days for a year.

Our trade and bills payables turnover days were 71.5 days, 65.6 days and 46.2 days in 2023, 2024 and 2025, respectively. Our trade and bills payables turnover days decreased during the Track Record Period, primarily due to the increased procurement of raw materials subject to relatively short credit terms. As of February 28, 2026, RMB293.0 million, or 83.1%, of our trade and bills payables as of December 31, 2025 had subsequently been settled.

Other Payables and Accruals

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payroll and welfare payable	60,819	82,723	96,866
Payables for purchase of property, plant and equipment	20,814	56,511	134,182
Other tax payables	11,227	8,436	18,690
Accruals	8,563	9,775	8,260
Others	14,092	26,457	23,066
Total	<u>115,515</u>	<u>183,902</u>	<u>281,064</u>

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Our other payables and accruals included (i) payroll and welfare payable, (ii) payables for purchase of property, plant and equipment, (iii) other tax payables such as VAT and certain other taxes and surcharges, (iv) accruals, and (v) others.

Our other payables and accruals increased by 59.2% from RMB115.5 million as of December 31, 2023 to RMB183.9 million as of December 31, 2024, primarily due to (i) an RMB35.7 million increase in payables for purchase of property, plant and equipment, and (ii) an RMB21.9 million increase in payroll and welfare payable. Our other payables and accruals increased by 52.8% from RMB183.9 million as of December 31, 2024 to RMB281.1 million as of December 31, 2025, primarily due to (i) an RMB77.7 million increase in payables for purchase of property, plant and equipment and (ii) an RMB14.1 million increase in payroll and welfare payable. As of February 28, 2026, RMB119.5 million, or 42.5%, of our other payables and accruals as of December 31, 2025 had subsequently been settled.

Contract Liabilities

Our contract liabilities represent amounts received in advance for sales of products. We recognize a contract liability when a payment is received or a payment is due (whichever is earlier) from a customer before we deliver the related goods or services. We recognize contract liabilities as revenue when we perform obligations under the contract (i.e., by transferring control of the related goods or services to the customer). Our contract liabilities increased by 119.9% from RMB83.7 million as of December 31, 2023 to RMB184.0 million as of December 31, 2024, primarily due to the increase in sales orders from customers with payments in advance. Our contract liabilities decreased by 12.8% from RMB184.0 million as of December 31, 2024 to RMB160.6 million as of December 31, 2025, primarily due to our recognition of a portion of advance payments from customers. As of February 28, 2026, RMB11.6 million, or 7.3%, of our contract liabilities as of December 31, 2025 had subsequently been recognized as revenue.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	February 28, 2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current assets				
Inventories	255,648	350,132	457,196	551,207
Trade and bills receivables	464,636	808,091	1,140,666	1,312,498
Prepayments, other receivables and other assets	24,546	37,733	43,834	122,585
Financial assets at FVTPL	436,196	350,021	210,053	—
Restricted cash	—	—	75,815	—
Pledged deposits	36,401	—	57,100	65,200
Cash and cash equivalents	1,827,702	1,978,488	2,863,743	3,078,587
Total current assets	3,045,129	3,524,465	4,848,407	5,130,077
Current liabilities				
Trade and bills payables	248,605	257,919	352,663	550,465
Other payables and accruals	115,515	183,902	281,064	365,526
Contract liabilities	83,708	184,045	160,562	150,370
Interest-bearing bank borrowings	—	40,021	—	—
Lease liabilities	1,619	1,510	1,660	1,633
Tax payable	54,425	59,293	113,062	57,535
Total current liabilities	503,872	726,690	909,011	1,125,529
Net current assets	<u>2,541,257</u>	<u>2,797,775</u>	<u>3,939,396</u>	<u>4,004,548</u>

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Our net current assets increased from RMB2,541.3 million as of December 31, 2023 to RMB2,797.8 million as of December 31, 2024, primarily due to an RMB343.5 million increase in trade and bills receivables and an RMB150.8 million increase in cash and cash equivalents, partially offset by an RMB100.3 million increase in contract liabilities.

Our net current assets increased from RMB2,797.8 million as of December 31, 2024 to RMB3,939.4 million as of December 31, 2025, primarily due to an RMB885.3 million increase in cash and cash equivalents, an RMB332.6 million increase in trade and bills receivables and an RMB107.1 million increase in inventories, partially offset by an RMB140.0 million decrease in financial assets at FVTPL, an RMB97.2 million increase in other payables and accruals and an RMB94.7 million increase in trade and bills payables.

Our net current assets increased from RMB3,939.4 million as of December 31, 2025 to RMB4,004.5 million as of February 28, 2026, primarily due to an RMB214.8 million increase in cash and cash equivalents, an RMB171.8 million increase in trade and bills receivables and an RMB94.0 million increase in inventories, partially offset by the fact that we had no financial assets at FVTPL as of February 28, 2026 while this item was RMB210.1 million as of December 31, 2025, as well as an RMB197.8 million increase in trade and bills payables and an RMB84.5 million increase in other payables and accruals.

CASH FLOWS

Our use of cash primarily related to operating activities, capital expenditures and dividend distribution. We have historically financed our operations primarily through cash flows generated from our operations. The following table sets forth a summary of our cash flows for the years indicated:

	Year Ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	901,865	1,262,516	1,868,204
Net cash flows from/(used in) investing activities	258,488	(357,820)	(264,524)
Net cash flows used in financing activities	(9,445)	(781,993)	(673,130)
Net increase in cash and cash equivalents	1,150,908	122,703	930,550
Cash and cash equivalents at beginning of year	672,610	1,827,702	1,978,488
Effect of foreign exchange rate changes, net	4,184	28,083	(45,295)
Cash and cash equivalents at end of year	<u>1,827,702</u>	<u>1,978,488</u>	<u>2,863,743</u>

Net Cash Flows From Operating Activities

Our net cash flows from operating activities in 2023 were RMB901.9 million, primarily reflecting our profit before tax of RMB847.5 million, as adjusted for certain non-cash items, including to add back depreciation of property, plant and equipment of RMB88.1 million and to deduct bank interest income of RMB52.8 million. Net cash flows from operating activities were also due to a decrease in our working capital, primarily attributable to an RMB133.3 million increase in trade and bills payables, partially offset by an RMB85.8 million increase in inventories and an RMB84.4 million increase in trade and bills receivables.

Our net cash flows from operating activities in 2024 were RMB1,262.5 million, primarily reflecting our profit before tax of RMB1,542.0 million, as adjusted for certain non-cash items, including to add back depreciation of property, plant and equipment of RMB120.3 million and share-based payment expenses of RMB84.3 million and to deduct bank interest income of RMB67.2 million. Net cash flows from operating activities were affected by an increase in our working capital, primarily attributable to an RMB386.3 million increase in trade and bills receivables and an RMB111.5 million increase in inventories, partially offset by an RMB100.3 million increase in contract liabilities.

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Our net cash flows from operating activities in 2025 were RMB1,868.2 million, primarily reflecting our profit before tax of RMB2,354.6 million, as adjusted for certain non-cash items, including to add back depreciation of property, plant and equipment of RMB172.6 million and to deduct bank interest income of RMB81.2 million. Net cash flows from operating activities were affected by an increase in our working capital, primarily attributable to an RMB377.3 million increase in trade and bills receivables and an RMB139.5 million increase in inventories, partially offset by an RMB94.6 million increase in trade and bills payables.

Net Cash Flows From/(Used in) Investing Activities

Our net cash flows from investing activities in 2023 were RMB258.5 million, primarily attributable to proceeds upon maturity of financial assets at FVTPL of RMB2,230.0 million, partially offset by purchases of financial assets at FVTPL of RMB1,785.0 million and purchases of items of property, plant and equipment of RMB204.0 million.

Our net cash flows used in investing activities in 2024 were RMB357.8 million, primarily attributable to purchases of financial assets at FVTPL of RMB3,246.0 million and purchases of items of property, plant and equipment of RMB449.3 million, partially offset by proceeds upon maturity of financial assets at FVTPL of RMB3,331.0 million.

Our net cash flows used in investing activities in 2025 were RMB264.5 million, primarily attributable to purchases of financial assets at FVTPL of RMB3,810.0 million and purchases of items of property, plant and equipment and right-of-use assets of RMB407.3 million, partially offset by proceeds upon maturity of financial assets at FVTPL of RMB3,950.0 million.

Net Cash Flows Used in Financing Activities

Our net cash flows used in financing activities in 2023 were RMB9.4 million, primarily attributable to dividends paid of RMB197.4 million, partially offset by capital injection from non-controlling shareholders of RMB158.2 million.

Our net cash flows used in financing activities in 2024 were RMB782.0 million, primarily attributable to dividends paid of RMB672.6 million and acquisition of non-controlling interests of RMB233.6 million.

Our net cash flows used in financing activities in 2025 were RMB673.1 million, primarily attributable to dividends paid of RMB666.4 million, partially offset by proceeds from issue of shares of RMB35.9 million.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including cash flows from operating activities, our current cash and cash equivalents, and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have available sufficient working capital for our present requirements, for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditures principally comprise expenditures for purchases of property, plant and equipment and right-of-use assets as well as purchases of intangible assets, related to our production, R&D and daily operating activities. We have funded, and expect to continue to fund, our capital expenditures mainly from cash generated from operating activities. We may adjust our capital expenditures for any given

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period according to our development plans or in light of market conditions and other factors we consider appropriate. The following table sets forth the breakdown of our capital expenditures during the years indicated:

	Year Ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchases of items of property, plant and equipment and right-of-use assets	204,019	449,296	407,299
Purchases of other intangible assets	463	2,179	10,211
Total	<u>204,482</u>	<u>451,475</u>	<u>417,510</u>

Capital Commitments

As of December 31, 2023, 2024 and 2025, we had capital commitments for property, plant and equipment in the amount of RMB197.7 million, RMB53.8 million and RMB1,176.1 million, respectively.

INDEBTEDNESS

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

	As of December 31,			As of
	2023	2024	2025	February 28,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2026
				<i>RMB'000</i>
				<i>(unaudited)</i>
Current				
- Interest-bearing bank borrowings	—	40,021	—	—
- Lease liabilities	1,619	1,510	1,660	1,633
Non-current				
- Lease liabilities	6,331	4,470	2,809	2,516
Total	<u>7,950</u>	<u>46,001</u>	<u>4,469</u>	<u>4,149</u>

Interest-bearing Bank Borrowings

As of December 31, 2024, we had interest-bearing bank borrowings of RMB40.0 million, which we repaid in 2025. The weighted average interest rate on our interest-bearing bank borrowings was 3.3% as of December 31, 2024. Certain of these bank borrowings were secured by bills receivables of RMB21,000. We used these bank loans primarily for our working capital needs. We did not have any interest-bearing bank borrowings as of December 31, 2023 or 2025, or February 28, 2026.

As of February 28, 2026, we had unutilized banking facilities of RMB873.3 million. During the Track Record Period and up to the Latest Practicable Date, we did not violate any material covenant in our borrowings or experience any default in payment of our trade and non-trade payables and borrowings, nor did we experience any difficulty in obtaining bank or other borrowings.

Lease Liabilities

During the Track Record Period, we were the lessee of a long-term property lease for our office and manufacturing facility. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments. As of December 31, 2023, 2024 and

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2025 and February 28, 2026, we had a total of current and non-current lease liabilities of RMB8.0 million, RMB6.0 million, RMB4.5 million and RMB4.1 million, respectively.

Indebtedness Statement and Contingent Liabilities

As of February 28, 2026, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has been no material change in our indebtedness from February 28, 2026 to the date of this document.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all of our related party transactions during the Track Record Period set out in Note 37 to the Accountants’ Report in Appendix I to this document were conducted on arm’s length basis and would not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates indicated:

	For the year ended/ As of December 31,		
	2023	2024	2025
Revenue growth rate	N/A	67.5%	58.5%
Gross profit margin ⁽¹⁾	53.1%	56.3%	52.9%
Net profit margin ⁽²⁾	38.2%	41.8%	39.7%
Current ratio ⁽³⁾	6.04	4.85	5.33
Quick ratio ⁽⁴⁾	5.54	4.37	4.83
Liability to asset ratio ⁽⁵⁾	13.7%	15.8%	14.5%
Return on equity ⁽⁶⁾	24.5%	36.7%	42.7%

(1) Gross profit margin represents gross profit as a percentage of total revenue.

(2) Net profit margin represents net profit as a percentage of total revenue.

(3) Current ratio is calculated using total current assets divided by total current liabilities.

(4) Quick ratio is calculated using total current assets less inventories divided by total current liabilities.

(5) Liability to asset ratio is calculated using total liabilities divided by total assets.

(6) Return on equity is calculated using profit for the year divided by the average of the beginning and ending balances of total equity and multiplied by 100%. Our return on equity increased during the Track Record Period, primarily due to the fast growth of our profit for the year.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions. We also have not entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RISK DISCLOSURES

Our principal financial instruments comprise interest-bearing bank borrowings, cash and deposits. The main purpose of these financial instruments is to raise funds for our operations. We have various other

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financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from our operations. The main risks arising from our financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. For more details, see Note 40 to the Accountants’ Report in Appendix I to this document.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies. With all other variables held constant, if the RMB had weakened (strengthened) against the US\$ by 5%, our profit before tax would have increased (decreased) by RMB46.4 million, RMB92.5 million and RMB125.4 million for the years ended December 31, 2023, 2024 and 2025, respectively.

Credit Risk

We trade only with recognized and creditworthy third parties. All customers who wish to trade on credit terms are subject to our credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. There is no requirement for collateral. We manage credit risk concentration by customer/counterparty and by geographical region. As of December 31, 2023, 2024 and 2025, we had certain concentrations of credit risk, as 50.1%, 41.7% and 35.0% of our trade and bills receivables were due from our largest customer in terms of outstanding balance, and 78.5%, 86.1% and 88.9% of our trade and bills receivables were due from our five largest customers in terms of outstanding balance, respectively.

DIVIDEND POLICY

After the completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount will be made at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory and regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders may approve any declaration of dividends.

According to applicable PRC laws and regulations, and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the accumulated losses incurred in the previous years; allocations to the statutory reserve equivalent to 10% of our profit after tax until the cumulative amount of such reserve reaches 50% of our registered capital; and allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by a Shareholders’ meeting.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our dividend policy under our Articles of Association, subject to certain customary conditions, our annual cash dividends will account for no less than 20% of the profits realized by us in that year that are available for distribution. We have declared and paid dividends of RMB395.7 million and RMB554.6 million in respect of the years ended December 31, 2023 and 2024, respectively. For the year ended December 31, 2025, we have declared and paid an interim dividend of RMB388.7 million and, in early April 2026, our Board proposed to declare a final dividend of RMB544.2 million. This proposed final dividend remains subject to the approval of our Shareholders’ meeting.

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DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained profits of RMB3,272.4 million, which were available for distribution to Shareholders.

[REDACTED]

Assuming full payment of the [REDACTED], the estimated total [REDACTED] (based on the maximum [REDACTED] of HK\$[REDACTED] per H Share and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK\$[REDACTED], representing [REDACTED]% of the gross [REDACTED] of the [REDACTED]. The estimated total [REDACTED] consist of: (i) [REDACTED] expenses of HK\$[REDACTED], and (ii) [REDACTED] related expenses of HK\$[REDACTED], comprising (a) fees and expenses of legal advisors and Reporting Accountants of HK\$[REDACTED], and (b) other fees and expenses of HK\$[REDACTED]. We do not believe that any of these fees or expenses are material to our Group, taken as a whole, or are unusually high. During the Track Record Period, we did not incur any [REDACTED]. We expect to incur [REDACTED] of approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]), of which approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) is expected to be charged to the consolidated statements of profit or loss for the year ending December 31, 2026 and approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) is expected to be recognized as a deduction in equity directly upon the [REDACTED].

[REDACTED]

See “Appendix II—[REDACTED].”

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there had been no material adverse change in our financial, operational or prospects since December 31, 2025, being the latest balance sheet date of our combined financial statements 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, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.