

BUSINESS

OVERVIEW

About Us

Founded in 1999, we are known as the first listed company in laser industry in China. Leveraging our world-leading optoelectronic information capabilities, we strive to become a global leading enabler of full-stack AI capabilities covering “sensing, transmission, cognition and application” (感傳知用).

Our business comprises three core segments:

- Optical interconnect business supported by information and communications technologies, providing high-bandwidth, low-latency core infrastructure for AI computing power construction;
- Intelligent sensing business underpinned by sensitive electronic technologies, building data acquisition and physical interaction channels for the AI world; and
- Intelligent manufacturing business enabled by laser processing and AI, delivering precision production and intelligent manufacturing solutions for the AI era.

Building on these foundations, we integrate the innovative capabilities of ecosystem partners to jointly develop industry-specific large models, industrial intelligence platform, and AI open platform, forming a complete intelligent closed loop of “sensing, transmission, cognition and application” (感傳知用): intelligent sensing business performs “sensing” by capturing physical-world data; optical interconnect business enables “transmission” with millisecond-level efficiency; industry-specific large models and our industrial intelligence and AI open platforms deliver “cognition” through deep learning, analysis and intelligent decision-making; and intelligent manufacturing business realizes “application” via execution, precision production and value creation. The three businesses operate synergistically to form a full value chain from data source to industrial application, empowering the upgrading and innovative ecosystem development of relevant industries globally.

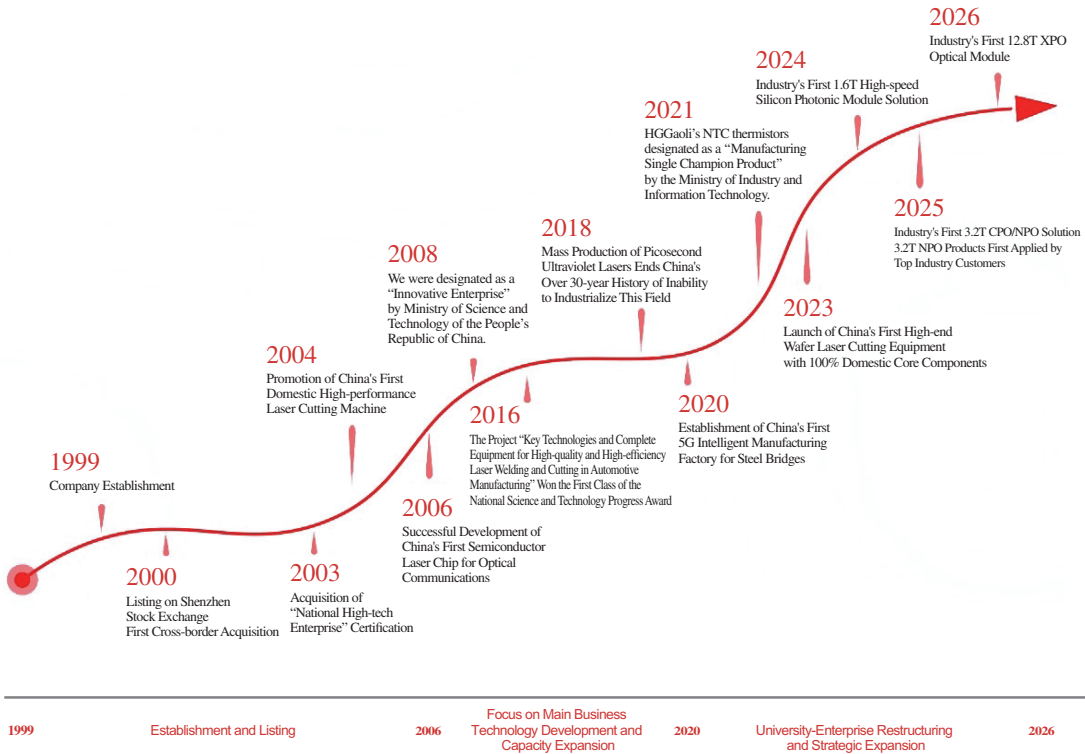
As of December 31, 2025, through sustained technological innovation and reliable products and services, we have earned strong recognition from over 20,000 customers worldwide and widespread market acclaim, achieving a number of remarkable milestones:



BUSINESS

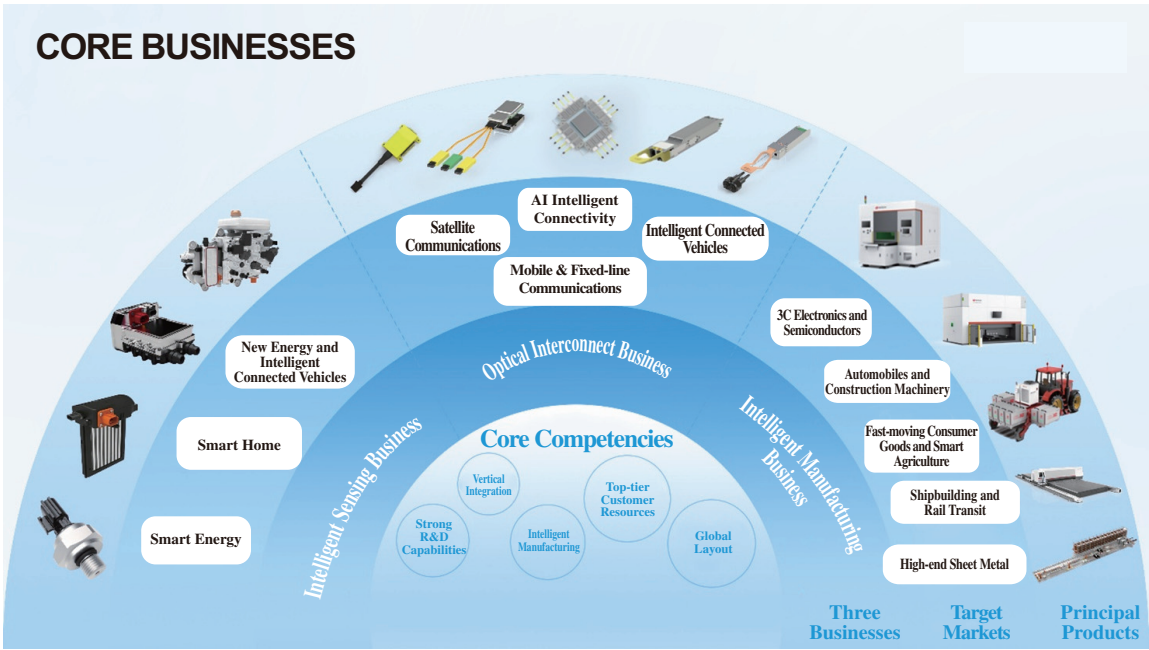
Our Development History

Since our establishment, our development has mainly gone through three stages:



Our Business

We proactively lead industry development, continuously innovate around customer needs, and focus on our three core businesses: optical interconnect business, intelligent sensing business and intelligent manufacturing business. Targeting both domestic and international markets, we concentrate on AI infrastructure enablement and industrial digital intelligence, persistently drive breakthroughs in core key technologies, and develop products that are globally first-to-market, industry-leading, specialized and sophisticated.



BUSINESS

Optical Interconnect Business: We possess industry-leading one-stop vertically integrated solutions in optical communications, with strategic R&D and large-scale manufacturing capabilities covering the full product chain from chips to components, modules and subsystems. Our products include ultra-high-speed optical modules, copper connection modules, intelligent automotive optics, and satellite communication optical modules, which are widely deployed in key sectors including AI computing power and global wireless communications. Focusing on four major application scenarios: AI intelligent connectivity, mobile & fixed-line communications, satellite communications, and intelligent connected vehicles. We aim to build an optical interconnect ecosystem, serving global leading cloud service providers, large-model developers, network equipment manufacturers (NEMs), telecom operators and NEV manufacturers. Driven by AI, cloud computing and data center construction in recent years, we have actively expanded into emerging cloud service providers and internet companies, with coverage of key market participants in China. Our high-end 800G and 1.6T optical modules have achieved mass volume delivery globally.

Intelligent Sensing Business: We are one of the pioneers in China to conduct R&D and industrialization of temperature sensors, multi-functional sensors and thermal management systems for NEV. Through the advancement of multiple technologies, we have maintained our global technological leadership in thermal management for NEV and a full portfolio of sensors covering temperature, pressure, and optoelectronics.

With proprietary core technologies across the entire “material-chip-device-system” value chain, we provide world-leading multi-dimensional sensing and control solutions for key scenarios including smart home, new energy and intelligent connected vehicles and smart energy. We are actively positioning ourselves in cutting-edge fields such as embodied intelligence and low-altitude economy, empowering the AI-driven intelligent upgrade of the full industrial chain for ubiquitous sensing and interconnection through sustained innovation.

Intelligent Manufacturing Business: We are a leader in “laser equipment and intelligent manufacturing” systems in China. We have led the formulation of global industry standards for laser equipment, and have established a full industry chain covering chips, components, equipment, production lines and intelligent factory solutions. Our technologies cover three major material processing systems: laser subtractive manufacturing, laser additive manufacturing and laser isostatic processing. We are committed to providing comprehensive laser equipment and intelligent manufacturing solutions.

BUSINESS

Our Growth Opportunities

With the advent of the AI era, the value uplift of our three core businesses will become increasingly evident. Our business synergy goes beyond technological collaboration and alignment with major customers, which represents a unique platform capable of providing a full closed-loop solution of “sensing, transmission, cognition, and application” for complex industrial scenarios, thereby forging exceptionally strong competitive barriers. Our future growth will be primarily driven by three layers:

Strategic Growth Amid Structural Opportunities

- ***Rapidly Growing Demand for Optical Interconnect Products:*** The global AI computing power race has triggered a data center traffic revolution, supported by worldwide data center upgrades, cloud service expansion and national digital infrastructure policies, driving sustained and high-growth demand for high-speed optical modules. With the continuous evolution of 1.6T/3.2T/6.4T/12.8T technologies and the progressive commercialization of new CPO/NPO/XPO solutions, this growth momentum is expected to continue. According to Frost & Sullivan, the global optical module market is projected to reach RMB707.6 billion by 2030, representing a CAGR of 34.2% from 2025 to 2030.
- ***Massive Sensor Demand Driven by Ubiquitous Sensing and Interconnection:*** Accelerated intelligent transformation in new energy and intelligent connected vehicles, photovoltaic energy storage, smart homes, smart grids and smart cities has generated substantial demand for sensors. According to Frost & Sullivan, the global sensor market is forecast to reach RMB2,255.1 billion by 2030, with a CAGR of 4.8% from 2025 to 2030. Benefiting from the intelligent upgrading of domestic manufacturing, the leading position of China’s NEV, consumer electronics, smart home and smart energy markets, China’s sensor market is expected to reach RMB588.2 billion by 2030, with a CAGR of 6.6% from 2025 to 2030.
- ***Industrial Intelligent Transformation:*** Demand for precision laser processing in new energy, semiconductors, composite materials and 3D additive manufacturing has shifted from an optional tool to an essential process. With industries accelerating AI-enabled initiatives and robust demand for factory digitalization, laser processing is increasingly replacing traditional mechanical processing on a large scale. We have established first-mover advantages in intelligent factories and smart agriculture. According to Frost & Sullivan, China’s laser equipment market is expected to reach RMB111.6 billion by 2030.

Growth Expansion Through Globalization

Global industrial development is advancing in parallel toward automation, informatization, digitalization, intelligence and greenization. Our three core businesses have unlocked market potential through a diversified and multi-tiered product portfolio. A global sales network, flexible localized supply chains and a global talent-attracting R&D structure lay a solid foundation for the rapid development of all three business segments.

Value Uplift of the Three Core Businesses

Our optical interconnect business has evolved from catch-up and cost leadership to generational technology leadership, focusing on next-generation ultra-high-speed intelligent connectivity. We fully cover four technology routes: high-speed optical connectivity, high-speed copper connectivity, efficiency liquid cooling heat dissipation, and optoelectronic integration, matching the needs of AI customers. We are among the first companies to introduce the industry’s 1.6T LPO/LRO products and we introduced industry’s first 3.2T CPO/NPO/pluggable optical module. Our intelligent sensing business has completed

BUSINESS

upgrade from functional components to sensing systems, deeply embedded in the core sensing layers of new energy and intelligent connected vehicles, photovoltaic energy storage, smart homes, smart grids and smart cities. Our intelligent manufacturing business has extended its value chain from equipment to automated production line amid the AI application wave. We will focus on promoting industrial intelligence applications, enabling integrated production lines with autonomous sensing, learning, decision-making and execution capabilities.

Financial Performance

Leveraging our technological leadership and capture of market opportunities in AI infrastructure, our products have gained wide market recognition, enabling us to achieve strong performance growth during the Track Record Period.

Our revenue increased by 13.6% from RMB10,309.7 million in 2023 to RMB11,709.2 million in 2024, and further increased by 22.6% to RMB14,354.8 million in 2025. Among them, revenue from our optical interconnect business grew from RMB3,211.9 million in 2023 by 23.8% to RMB3,974.8 million in 2024, and further grew by 53.4% to RMB6,096.8 million in 2025, with its proportion of total revenue continuously rising to 31.2%, 33.9% and 42.5% respectively. Our net profit grew continuously from RMB1,003.3 million in 2023 to RMB1,203.1 million in 2024, and further increased to RMB1,454.5 million in 2025.

OUR STRENGTHS

Our competitive strengths represent a systematic capability underpinned by multiple advantages, including technological R&D, business matrix, industrial chain integration, organizational mechanism and global layout. In terms of technological R&D, we have established an innovation structure consisting of a central research institute and three business technology centers, forming a complete and efficient innovation chain from cutting-edge research to industrial application. In business development, our optical interconnect business, intelligent sensing business and intelligent manufacturing business grow in parallel and synergistically, each having established differentiated competitive advantages. In industrial chain layout, we have built fully independent capabilities from core components to end products through years of sustained investment. The institutional benefits resulting from the reform of university-affiliated enterprises, together with our talent-centric corporate strategy, have laid a solid organizational foundation for our sustained growth. In global layout, we are accelerating the transition from product exports to capability exports, demonstrating clear strategic commitment to globalization. Details of our competitive strengths are set out below:

Establishment of Industry-Leading Technology and Product Generation Mechanisms Aligned with Industry Trends

Our core competitiveness is rooted in continuously strengthened and well-structured R&D and innovation capabilities. Guided by the principle that “technological innovation relies on investment and talent”, we have built a well-tiered and highly collaborative R&D system, laying a solid foundation for sustainable development. For details of our R&D capabilities, see “— Research and Development.”

Sustained Increase in R&D Investment and Optimization of Product Structure

We have continuously increased our R&D investment. During the Track Record Period, our total R&D investment amounted to RMB2,886.6 million, representing 7.9% of total revenue. Our R&D investments were RMB802.3 million in 2023, RMB992.7 million in 2024 and RMB1,091.6 million in 2025. Intensive R&D investment has driven continuous optimization of our product portfolio, with an

BUSINESS

upgrade from single products to system-level solutions, expansion from traditional applications to high-growth sectors, and advancement from technology following to global first-to-market and industry-leading positions.

In optical interconnect segment, our portfolio covers technological solutions including VCSEL/EML, silicon photonics and thin-film lithium niobate, with products including 800G LPO silicon photonics, 1.6T-200G/λ silicon photonics and 3.2T CPO/NPO. In intelligent sensing segment, our PTC heaters have expanded from single-component control to system-level control. For sensor products, we have focused on key technologies including sensitive materials, embedded software and hardware, and MEMS, and successfully developed a wide range of products such as temperature, pressure and optoelectronics sensors. Building on our single-champion products including temperature sensors and PTC heaters, we have established a clear second growth curve toward intelligent and integrated development. In intelligent manufacturing segment, we are accelerating the development of high-precision industrial machine tools for high-growth industries including third-generation semiconductor processes, shipbuilding, automotive components, and agriculture.

Robust Collaborative Innovation Across the Industrial Chain Establishes Sustainable First-Mover Advantages

We have established a well-structured R&D organizational framework featuring a synergistic system between the HG Technology Central Research Institute (華工科技集團中央研究院) and three business technology centers, with each entity operating with distinct focuses. As the primary source of innovation, the HG Technology Central Research Institute focuses on cutting-edge technological exploration, basic research and breakthroughs in common technologies, while overseeing overall strategic planning. Our three business technology centers concentrate on product development and applied research, enabling rapid iteration closely aligned with market demand.

Furthermore, we have implemented a hierarchical, multi-layered and classified R&D project management system to ensure dedicated tracking of key projects. In line with the trend of multi-disciplinary integration and cross-specialization development, we have adopted a collaborative R&D model. This system not only secures our strategic positioning in cutting-edge technologies but also ensures efficient industrialization of innovative achievements.

Leveraging our research centers, we have assembled senior experts in optics, materials, mechanical engineering and AI globally. As of December 31, 2025, we have engaged 27 leading experts including more than 10 academicians to provide guidance on technological innovation. We also integrate resources from renowned universities, national and local laboratories, research institutes and industry leaders to conduct collaborative innovation in basic research, applied research and industrial applications. We are advancing technological innovation to a new stage in high-speed optical interconnect, AI, semiconductor manufacturing processes, smart energy technology and agricultural laser equipment.

Through the Wuhan Semiconductor Laser Equipment Industry Innovation Joint Laboratory (武漢市半導體激光裝備產業創新聯合實驗室) with HUST, multiple sets of independently developed semiconductor equipment have been commercialized. Through the Joint Technology Research Center (聯合技術研究中心) with Wuhan University of Technology (武漢理工大學), we have established industry-leading capabilities in brittle material processing. We have entered into strategic cooperation with domestic and international enterprises to proactively deploy in water-guided laser and machine vision, securing key technological leadership positions.

BUSINESS

Sustained Leadership in Core Businesses and Formation of New Growth Engine

Our core businesses have established leading positions and built differentiated competitive advantages across respective sectors through multiple industry cycles. Supported by customer resource synergy, technology platform sharing and industrial chain complementarity, we have formed an overall competitive strength that is difficult to replicate.

Rapid Growth in Optical Interconnect Business

The optical interconnect business has been our fastest-growing segment during the Track Record Period, with high-speed optical interconnect products serving as the core growth engine for our Group. According to Frost & Sullivan, we have been ranked among the top 10 global optical module companies by revenue for four consecutive years. During the Track Record Period, revenue from our optical interconnect business was RMB3,211.9 million, RMB3,974.8 million and RMB6,096.8 million, with gross profit margins of 10.4%, 8.4% and 13.3%.

Our competitive advantages are underpinned by a clear strategy:

- **Technology roadmap:** We maintain a diversified portfolio covering VCSEL/EML, silicon photonics and thin-film lithium niobate solutions. We launched the industry’s first 1.6T optical module and pioneered 3.2T CPO/NPO solutions, demonstrating global competitiveness in low-power, high-value-added optical modules.
- **Market expansion:** We adopt a dual strategy of “strengthening domestic leadership and breaking into overseas markets (夯實國內、突破海外).” Domestically, we continue to expand shipments to leading AI customers and maintain our top market position. Overseas, we have engaged with benchmark US customers through revolutionary silicon photonics and silicon-based thin-film lithium niobate technologies.
- **Application scenarios:** We have a full coverage strategy for AI intelligent connectivity, mobile & fixed-line communications, satellite communications, and intelligent connected vehicles. In telecom communication area, we have commercialized 5G-A optical modules, developed 6G-ready modules and launched telecom and satellite optical modules, with technical research in space-air-ground integration, communication-sensing integration and in-vehicle optical communications.

Maintained Leading Market Share in Intelligent Sensing Business

Our intelligent sensing business is transitioning from a single-product sensor leader to a comprehensive sensing solution provider, with globally leading positions in key subsectors. We are the global leader in temperature sensors for home appliances and a pioneer in PTC heaters for NEV. During the Track Record Period, revenue from our intelligent sensing business was RMB3,248.3 million, RMB3,668.2 million and RMB4,026.9 million, with gross profit margins of 24.0%, 25.7% and 24.5%, respectively.

BUSINESS

Our core competitiveness lies in three aspects:

- **Stable market position:** Our NEV thermal management systems cover most of major Chinese and joint-venture brands and have secured orders from multiple international premium vehicle manufacturers.
- **Expanding product matrix:** Building on temperature and pressure sensors, we have developed integrated temperature-pressure sensors, refrigerant gas sensors, integrated in-vehicle perception sensors and air PTC heaters. We are also strategically deploying MEMS sensors, embodied intelligence and low-altitude economy to support medium-to-long-term growth.
- **Extended application coverage:** We horizontally expand multi-category sensors to existing customers and vertically penetrate high-growth sectors including smart home, new energy and intelligent connected vehicles, and smart energy, solidifying our position as a comprehensive sensing leader.

Transformation to a Leader in Laser-Enabled Intelligent Manufacturing Solutions

The intelligent manufacturing business has evolved from an equipment supplier to a leader in laser-enabled intelligent manufacturing solutions in the AI era. Following the path of “intelligent equipment, automated production lines and intelligent factories (裝備智能化、產線自動化、工廠數智化),” we have developed multi-industry, multi-tiered solutions through an “industry and key accounts (行業+大客戶)” model. During the Track Record Period, revenue from our intelligent manufacturing business was RMB3,190.2 million, RMB3,491.7 million and RMB3,635.9 million, with gross profit margins of 31.5%, 31.0% and 29.4%.

Our competitive advantages for the intelligent manufacturing business span four dimensions:

- **Leading core equipment:** We have developed domestically advanced 3D five-axis laser cutting equipment, six-axis laser micro-drilling for complex surfaces, laser texturing equipment and other industry-leading products, demonstrating strong capabilities in high-precision processing.
- **Systematic solutions:** We provide full solutions from smart single machines to automated lines and intelligent factories for automotive, brittle material processing, engineering machinery, shipbuilding, semiconductors, new energy and consumer electronics. For shipbuilding, we offer industry-leading integrated laser cutting and marking machines and automated pipe-outfitting lines.
- **New growth engines:** We are actively developing micro-nano additive manufacturing, intelligent laser weeding robots, and laser processing lines and intelligent factories for hydrogen electrolyzers.
- **Software-hardware integration:** We develop proprietary CAM software, industrial digital twin platforms, driving industrial AI and laser AI applications. This integration allows us to avoid red-ocean competition and enhance the value of integrated solutions.

BUSINESS

Pioneering the Establishment of an Independent and Controllable Supply Chain Advantage in the Industry

Through nearly two decades of continuous layout, we have pioneered the establishment of full industrial chain control capabilities, covering raw materials, components, parts and end products. This vertically integrated layout not only reduces reliance on external suppliers but also forms independent and controllable technological advantages in key links.

Our optical interconnect business has formed a complete closed loop from chips to components, modules and subsystems. Our vertical integration capability is particularly prominent in the optical interconnect business. For example, the product portfolio of Wuhan Elite Optronics Co., Ltd. (武漢雲嶺光電股份有限公司), incubated by us, has expanded to EML, providing core chip support for our optical modules. We invested in Wuhan Wuyue Optoelectronic Technology Co., Ltd. (武漢武粵光電技術有限公司) to build a silicon photonics chip tape-out platform. We believe these layouts have enabled us to master the full-chain capabilities from chip design to module manufacturing in the high-speed optical module field.

Our intelligent manufacturing business possesses complete intellectual rights for core components and software platforms. We independently develop core components such as lasers, cutting heads, laser control systems, motion control systems and industrial software. In the field of industrial software, we have iterated more than 30 high-end industrial software products and launched intelligent manufacturing solutions adapted to multiple industries.

In addition, we have carried out strategic investments in upstream and downstream areas of the industrial chain through our investment platform. We have built a multi-level investment matrix including direct investment, sci-tech angel fund, venture capital fund, and industrial fund. Through equity investment, industrial empowerment, capital connection, talent allocation and collaborative breakthroughs in core technology fields, we have constructed an in-depth industrial ecosystem and cultivated innovative enterprises with core technologies. During the Track Record Period, we initiated the establishment of HG Ruiyuan No.2 Fund (華工瑞源二號基金) and HG Future Fund (華工未來基金), focusing on the upstream and downstream of the industrial chain. Our HG Ruiyuan No.2 Fund focuses on identifying investment opportunities in fields such as high-end equipment, intelligent manufacturing, optoelectronics, new energy, new materials, sensors and semiconductors. Our HG Future Fund focuses on layout investment opportunities in fields such as AI, robot technology, medical engineering integration, low-altitude economy and their upstream and downstream industries. This model of empowering the development of core businesses through industrial investment not only opens up new growth space but also provides strategic support for improving the industrial ecosystem and ensuring supply chain security.

Systematic Capabilities Rooted in Organizational Mechanisms and Talent Teams

The reform of enterprises affiliated to higher education institutions completed in 2021 was a crucial turning point in our development history. The restructuring improved decision-making efficiency and established a governance structure that aligns the interests of the management team, core backbones and shareholders. Since the restructuring, we have placed greater emphasis on technological innovation, increased the introduction of sophisticated and urgently needed talents and R&D personnel, strengthened cultural and value identity, focused on enhancing product competitiveness, and continuously advanced our global business strategy. This series of institutional reforms has laid a solid governance foundation for our rapid development in recent years. For details of our reform of enterprise affiliated to higher education institutions history, see “History and Corporate Structure — Corporate Development and Major Shareholding Changes.”

BUSINESS

We benefit from strategic vision and management capabilities of our management team. Particularly, Mr. Ma Xinqiang (馬新強), our Chairman, Executive Director and General Manager, has over 25 years of experience in optoelectronic industry. Mr. Ma joined our Group upon its inception in July 1999. He served as our general manager from July 1999 to June 2005 and the chairman of the board from June 2005 to July 2012, and has been our chairman of the Board and general manager since June 2014 and June 2017, respectively. He currently holds directorships in a number of subsidiaries of our Group.

Mr. Ma holds numerous important positions in industry associations and academic institutions, enjoying top industry reputation. He was recognized as an Expert Entitled to Special Government Allowances of the State Council in April 2012. In addition, Mr. Ma has been elected as a Deputy to the 12th, 13th and 14th National People’s Congress. Mr. Ma’s forward-looking strategic vision and professional insights have guided our Group to achieve remarkable results in technological innovation and business expansion.

We consistently regard talents as the foremost resource underpinning our high-quality development. Through various talent initiatives such as “Doctoral 500 Plan (博士500計劃),” and “Falcon Plan (獵鷹計劃),” we have significantly expanded the size and enhanced the caliber of our R&D workforce. As of December 31, 2025, the proportion of R&D personnel constitutes 28.5% of our total workforce.

Regarding talent development, we have established a full-cycle career progression system. Building on the three-tier training framework of the “Seedling Class (青苗班),” “Elite Class (菁英班),” and “Executive Recharge Workshop (高管充電坊),” we have innovatively launched specialized programs including the “Product Line General Manager Boot Camp (產品線總經理集訓營),” “Sales Mobile Classroom (銷售移動課堂),” and “Academician Online (院士在線).” This systematic talent cultivation mechanism provides a solid human capital foundation for the Company’s sustained growth.

Centered on the objectives of market success, financial success, and capability enhancement of key employees, we have transformed our traditional hierarchical structure by implementing a “Platform, Business Unit and Product Line” model. With product lines serving as the core organizational performance units, we have advanced a performance management reform focused on incremental value creation. This system aligns employees’ competency development with their compensation growth and performance-based increments. As a result, a cohort of professionals, who are management experts well-versed in technology and technical talents proficient in management, has emerged rapidly, laying a robust foundation for sustainable development.

Strategic Depth of Global Layout: Transition from “Product Going Global (產品出海)” to “Capability Going Global (能力出海)”

Our global layout boasts first-mover advantages and a systematic nature. As one of the first companies in the industry to complete cross-border acquisitions and establish overseas bases, we have formed a strategic footprint comprising six industrial bases in China and 13 overseas subsidiaries. Such a comprehensive and multi-tiered global layout enables us to respond flexibly to international trade frictions, serve target markets locally and enhance responsiveness to global customers.

By diversifying our global talent sourcing channels, we continuously attract international talents from diverse cultural backgrounds, providing talent support for our global expansion and driving our transformation from a domestic enterprise to a multinational corporation. We have built an international team capable of adapting to diverse cultural environments with a global service mindset. Such cross-cultural management capability will serve as a key pillar for us to further deepen our global presence and strengthen international competitiveness.

BUSINESS

OUR STRATEGIES

We are a global technology manufacturing group with optoelectronic technology as our core, covering three primary businesses: optical interconnect, intelligent sensing and intelligent manufacturing. Building on the dual historic opportunities of the AI revolution and development of high-end manufacturing in China, we have upgraded our positioning to build a world-leading enabler of full-stack AI capabilities covering sensing, transmission, cognition and application, and become a globally influential Chinese technology brand. To achieve this goal, we have formulated the following strategic plans:

Strengthen R&D and Innovation and Build a Solid IP Defense System

We will continue to advance structured innovation and exploratory innovation to build technological barriers. In tandem with business expansion, we will steadily increase R&D investment, focusing on core sectors including high-speed optical interconnect, industrial software, AI, semiconductor manufacturing processes, smart energy technology and agricultural laser equipment. We will establish global competence centers to attract top global optoelectronic and AI talents, enhance patent quality and influence in international standards. We will strengthen intellectual property management, form patent pools, and build a technological moat and compliance defense system.

Implement a Global Layout with Localized Production, Market Expansion, Compliance and Brand Building

We will adhere to regionalized production capacity and localized operation to hedge potential risks, and continuously refine our global layout of China, Southeast Asia, Europe and the United States. On the production front, we will establish a structure featuring R&D and high-end manufacturing centers in China, large-scale manufacturing bases in Southeast Asia, and small assembly and service centers in Europe. On the market front, we will deepen our key customer strategy, focusing on leading cloud vendors in North America, automotive and industrial sectors in Europe, and emerging computing power markets in the Middle East and Southeast Asia. On the compliance front, we will establish a global legal, tax and data security framework to meet requirements including EU CBAM and U.S. export controls. On the brand front, we will continue to participate in top global industry exhibitions and summits, and host global partner conferences to enhance global brand recognition and product premium.

Deepen Strategic Cooperation with Key Customers to Shift From Product Supplier to Full-solution Partner

We plan to establish deep engagement with key customers, transforming from suppliers to strategic partners and securing long-term orders. Specifically, through joint laboratories and diversified cooperation with leading cloud service providers, AI large model vendors, NEV manufacturers and semiconductor enterprises, we will jointly define products and technology roadmaps, and adopt technology licensing, capacity sharing and joint ventures to mitigate customers' supply chain risks. Particularly, we engaged with partners to jointly develop industry-specific large models, industrial intelligence platforms and AI open platforms. We will replace single-product delivery with full-stack solution capabilities to improve customer stickiness and retention.

BUSINESS

Build World-class Zero-carbon and Digital Twin Factories

We plan to build world-class zero-carbon factories benchmarked against leading international intelligent manufacturing systems to achieve full-process digitalization and leanness. We will develop digital twin factories to improve yield, delivery efficiency and flexible production capacity, enhance lean management, reduce waste and lift per capita output. Leveraging zero-carbon facilities, we will meet international customers’ ESG requirements and address carbon tariff barriers. In particular, we plan to invest in a next-generation ultra-high-speed optical module R&D center and production base, MEMS sensor R&D and industrialization, high-precision additive manufacturing equipment and intelligent production lines, and smart agricultural machinery including intelligent laser weeding robots. These projects will comprehensively strengthen our digital and lean manufacturing capabilities.

Drive Growth via Capital Management While Incentivizing Our Talents

We pursue a dual-engine model of industrial operation and capital management. For capital operation, relying on the listed platform, we plan to merge and integrate high-quality assets to strengthen core technologies and customer relationships. In order to incentivize our talents, we will implement medium-to-long-term equity incentives, project co-investment and business partner schemes for young talents to retain top technical and international professionals. For market value management, we will enhance investor relations, communicate long-term value and improve capital market recognition.

Anchored in optoelectronic technologies, with AI computing optical interconnect as the core engine, intelligent sensing as a high-margin growth driver and high-end laser manufacturing as a stable foundation, we uphold technological independence, global layout, ecological synergy and lean manufacturing. Benchmarked against world-leading technology enterprises, we will continue to create superior returns for shareholders, striving to become a globally leading enabler of full-stack AI capabilities covering sensing, transmission, cognition and application and an iconic Chinese enterprise in the global technology industry.

OUR BUSINESS

We are a world-leading enabler of AI full-stack capabilities covering sensing, transmission, cognition and application. Founded in 1999 and rooted in the “China Optic Valley,” we have dedicated over two decades to innovation in laser technology and its industrial applications. We have evolved from a technology pioneer into a globally competitive enterprise with three synergistic core business segments: (i) optical interconnect business, (ii) intelligent sensing business, and (iii) intelligent manufacturing business. According to the Frost & Sullivan, our optical interconnect business ranked sixth among global optical interconnect product suppliers which produce products primarily for external sales by revenue in 2025. Our NEV PTC heater business ranked first among NEV PTC heater suppliers in China, representing a market share of 67.2% in the PRC market in 2025. Our intelligent manufacturing business ranked second among China’s laser equipment suppliers in 2025, representing a market share of 4.4% in China.

BUSINESS

Three Core Synergistic Business Segments

Our business is strategically structured into three core synergistic segments that underpin our long-term growth trajectory and core competitiveness, forming a diversified, integrated product matrix to address the evolving needs of global high-growth industries:

- ***Optical Interconnect Business:*** As a key enabler of global digital infrastructure, our optical interconnect business is subdivided into (i) AI computing power optical modules, and (ii) telecom and satellite optical modules. We focus on the development of next-generation ultra-high-speed intelligent interconnect products, with our offerings fully covering four core technology lines: high-speed optical connectivity, high-speed copper connectivity, high-efficiency liquid cooling thermal management and optoelectronic integration, which are fully aligned with the diverse demands of AI customers. In the telecom sector, our products cater to the full-scenario requirements of 5G-A and F5G-A, and we have initiated the pre-research and development of 6G products. We have also made forward-looking layout in vehicle-mounted optical communication. As a top 10 global professional optical module supplier during the Track Record Period, we boast independent R&D and vertical integration capabilities. According to Frost & Sullivan, we ranked sixth among global specialized optical interconnect product suppliers in terms of revenue in 2025, representing a global market share of 3.8%. Leveraging our competitive strengths including self-developed silicon photonics and thin-film lithium niobate technologies, superior optoelectronic signal processing technologies, advanced packaging processes and large-scale manufacturing at our smart factories, we are well-positioned to effectively meet the requirements for the R&D and manufacturing of products featuring ultra-high bandwidth, low latency, low power consumption and high reliability, making this business a robust growth driver for our Group.
- ***Intelligent Sensing Business:*** Our products of intelligent sensing business are widely applied in (i) smart home, (ii) new energy and intelligent connected vehicles, and (iii) smart energy, empowering smarter and safer operations through high-precision components. Our sensor portfolio covers temperature, pressure, and optoelectronics. According to Frost & Sullivan, we ranked third among all Chinese sensor suppliers in China in 2025. In addition, our NTC temperature sensors ranked first globally in terms of revenue according to Frost & Sullivan. We have been recognized as a National Intellectual Property Demonstration Enterprise (國家知識產權示範企業) in China.
- ***Intelligent Manufacturing Business:*** As a globally recognized leader in laser solutions, this business segment is categorized into three strategic directions: (i) macro processing equipment, (ii) micro processing equipment, and (iii) intelligent manufacturing solutions. We provide comprehensive industry solutions, ranging from high-power laser cutting and welding equipment for the shipbuilding and construction machinery sectors (macro-processing), to laser micro-nano processing and precision 3D printing for the semiconductor, electronic circuit, and consumer electronics sectors (micro-processing), and extending to automated production lines for precision assembly (intelligent manufacturing solutions). We hold a global leading position in automotive body-in-white laser welding automated production lines and 3D five-axis laser cutting intelligent equipment. According to Frost & Sullivan, we ranked second among China’s laser equipment suppliers in 2025, representing a market share of 4.4%.

BUSINESS

The following table sets forth the revenue contribution by business segments during the Track Record Period.

	For the years ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Optical Interconnect Business	3,211,924	31.2	3,974,818	33.9	6,096,823	42.4
— AI computing power optical modules	264,618	2.6	1,137,931	9.7	2,660,675	18.5
— Telecom and satellite optical modules	2,947,306	28.6	2,836,887	24.2	3,436,148	23.9
Intelligent Sensing Business	3,248,285	31.5	3,668,191	31.4	4,026,872	28.1
— Sensor products	1,193,379	11.6	1,376,276	11.8	1,558,679	10.9
— NEV thermal management systems	2,054,906	19.9	2,291,915	19.6	2,468,193	17.2
Intelligent Manufacturing Business	3,190,204	30.9	3,491,679	29.8	3,635,911	25.4
— Macro processing equipment	1,516,150	14.7	1,512,433	12.9	1,802,261	12.6
— Micro processing equipment	1,114,145	10.8	1,471,914	12.6	1,377,527	9.6
— Intelligent manufacturing solutions	559,909	5.4	507,332	4.3	456,123	3.2
Others	659,320	6.4	574,487	4.9	595,155	4.1
Total	10,309,733	100.0	11,709,175	100.0	14,354,761	100.0

The following table sets forth our sales volume of our major products in each business segments during the Track Record Period:

	For the years ended December 31,		
	2023	2024	2025
Optical Interconnect Business			
— AI computing power optical Modules ('000)	1,681	3,121	6,013
— Telecom and satellite optical modules ('000)	12,678	12,358	12,810
Intelligent Sensing Business			
— Sensor products ('000)	628,123	700,257	690,926
— NEV thermal management systems ('000)	126,588	101,992	146,617
Intelligent Manufacturing Business			
— Macro processing equipment	1,067	1,044	1,262
— Micro processing equipment	7,847	8,690	9,347

Our Business Model

Our business model is strategically anchored in technology-driven innovation, synergistic ecosystem integration, and global market penetration, leveraging core competencies across optoelectronics, sensors, and laser technology to deliver high-value products and solutions to high-growth industries worldwide.

Customer Segments: Focus on High-Growth, High-Barrier Industries

We target global customers across technology-intensive sectors, with a strategic focus on leading enterprises and infrastructure providers to ensure long-term cooperation and stable demand. In the NEV sector, we serve leading NEV manufacturers as well as battery producers, providing thermal management components such as air PTC heaters, integrated sensors, automotive body-in-white laser

BUSINESS

welding automated production lines, and intelligent connectivity solutions. In the AI computing infrastructure sector, we are committed to building an intelligent optical network ecosystem, and serving top global internet service and data application providers, NEMs, telecom operators and NEV manufacturers. Our volume-produced 400G, 800G and 1.6T product series, together with the launched 3.2T NPO, 6.4T and 12.8T series currently under R&D, effectively address the explosive traffic as well as demands arising from the rapid development of AI and the large-scale construction of data centers. For industrial equipment, we partner with shipbuilding, construction machinery, semiconductor, and 3C electronics enterprises, delivering laser processing equipment and automated production lines to drive their upgrade, including customized solutions such as ultra-large format laser bevel cutting equipment, comprehensive marking equipment, and semiconductor wafer laser cutting equipment. For home appliance, we collaborate with well-known global brands to supply temperature, pressure, and optoelectronics sensors for environmental monitoring and safety control.

Synergy Across Core Segments: A Self-Reinforcing Ecosystem

Our three core businesses form a tightly integrated synergistic ecosystem that amplifies our competitive strengths and creates cross-selling opportunities. Our intelligent manufacturing business acts as a supporting pillar for all business segments, providing the large-scale and high-precision manufacturing support for our optical modules and intelligent sensing products, as well as intelligent factory solutions including top-level planning, automated production line design, and industrial software deployment. Our intelligent sensing business further complements this among others ecosystem: our full range of sensors can provide real-time operational and environmental monitoring for laser production lines and optical module systems, thereby boosting stability. Our intelligent manufacturing business leverages our intelligent sensing technologies to build industry-tailored manufacturing solutions for external customers in shipbuilding, heavy machinery and steel structure sectors.

All three segments jointly serve high-growth sectors including NEVs and AI computer infrastructure. Our laser equipment, sensors and NEV thermal management systems and optical modules are integrated into the supply chains of leading NEV manufacturers, while our optical interconnect products, laser precision equipment and sensors collectively support AI data center construction and operation.

Rooted in technological innovation, customer-centricity and global scalability, our business model leverages this cross-segment synergy to capture the opportunities of global digitalization, electrification and intelligent manufacturing. By tapping into our integrated core competencies and synergistic ecosystem, we are well-positioned to drive sustained revenue and profitability growth and consolidate our leadership in key high-value product segments.

Optical Interconnect Business

We are a world-leading provider of optical interconnect business, providing critical underpinnings for cutting-edge application scenarios worldwide including top global internet and data application providers, NEMs, telecommunications operators and intelligent vehicle manufacturers. This business line has emerged as our primary growth engine, driven by the exponential growth in global data traffic and massive investment in AI infrastructure. Our revenue generated from our optical interconnect business amounted to RMB3,211.9 million, RMB3,974.8 million, and RMB6,096.8 million in 2023, 2024 and 2025, representing a CAGR of 37.8%. For detailed analysis of our financial performance, see “Financial Information — Description of Major Components of Our Results of Operations”.

BUSINESS



Our optical interconnect business has established two core strategic segments: (i) the AI computing power optical modules, which focuses on emerging AI computing power and data center application scenarios, and (ii) the telecom and satellite optical business, which focuses on the construction and upgrade of 5G/5G-A/6G mobile communication and F5G/F5G-A/F6G fixed communication networks. Backed by our comprehensive product portfolio and the advantages of large-scale flexible manufacturing and high-quality delivery from our industrial bases in China and abroad, our customer base has covered world-leading cloud service providers, AI large model vendors, system equipment manufacturers and telecom service providers.

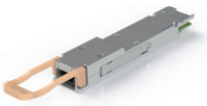
AI Computing Power Optical Modules

Our AI computing power optical module business serves as the core growth engine of our optical interconnect business. Driven by the exponential growth of global data traffic and large-scale investment in AI infrastructure, we have transformed from a traditional telecommunications component manufacturer into an AI high-speed intelligent connectivity solutions provider. Our products focus on the attributes of high rate, low power consumption, high reliability, high integration and low cost, fully meeting the diversified needs of various scenarios in infrastructure construction such as AI and data centers.

We have established a robust technical foundation that sets us apart in the optical communications industry. Our core capabilities include industry-leading self-developed silicon photonics and thin-film lithium niobate technologies, superior optoelectronic signal processing technology, advanced 2.5D/3D packaging process capabilities, as well as vertical integrated technology integration capability. Our products fully cover four technical routes: high-speed optical connectivity, high-speed copper connectivity, efficient liquid cooling heat dissipation, and optoelectronic integration. Currently, our mass-delivered products can support transmission rates up to 1.6T. As a top 10 global professional optical module supplier, we are fully dedicated to maintaining and enhancing our leading position in the iteration of next-generation products.

BUSINESS

In our AI computing power optical modules business, we have achieved large-scale delivery of 400G series, 800G series (including LPO and FRO) and 1.6T series optical modules to the global market, and we have launched the world’s first 3.2T CPO optical engine on April 2, 2025. An overview of our core AI computing power optical business products, including their key features and main application scenarios, is set out below:

Core Products	Key Attributes	Pictures
400G Series	400G speed, transmission distance 100m-10km	
800G FRO Series . . .	800G speed, transmission distance 500m-2km	
800G LRO Series . . .	800G speed, linear optical design, transmission distance 500m-2km	
800G AEC/ ACC Series	800G speed, direct electrical signal transmission via copper conductivity for data center internal interconnection	
1.6T FRO Series . . .	1.6T speed, DSP digital processing technology, transmission distance 500m-2km	
1.6T LRO Series . . .	1.6T speed, linear optical technology for RX receiver	
1.6T LPO Series . . .	1.6T speed, linear optical technology for both RX and TX	

BUSINESS

Core Products	Key Attributes	Pictures
1.6T AEC/ ACC Series	1.6T speed, direct electrical signal transmission via copper conductivity for data center internal interconnection, transmission distance ≤3m	
3.2T NPO	3.2T speed, liquid cooling design, near-packaged optics, transmission distance 500m	

As the core leading products of our AI computing power optical modules business, our 1.6T full product portfolios are strategically developed to address the pain points of global AI data centers, large-scale data centers, intelligent computing centers and supercomputing centers, and define the new standard for ultra-high-speed, high-density interconnection in the digital era.

Our 1.6T FRO series optical modules are core components of high-speed optical communication systems, primarily applied in high-bandwidth demand scenarios such as hyperscale data centers and AI computing clusters. This module adopts self-developed silicon photonic chip and full retime solution, meeting the stringent high-bandwidth requirements of high-performance computing scenarios. By integrating a 3nm process DSP chip with silicon photonics technology, the product’s power consumption is significantly reduced. It supports stable transmission of over 500 meters to 2km of single-mode fiber, providing reliable carrying capacity for the system and playing an irreplaceable role in promoting the upgrade of high-speed data transmission in data centers, cloud computing and AI fields.

As another core product in the 1.6T series, our 1.6T LRO optical module is suitable for Scale-Up/Scale-Out architectures of AI computing clusters and hyperscale data centers, meeting the requirements for high bandwidth and low latency. By removing the receiver-side DSP chip, power consumption can be reduced by approximately 30%, which is significantly lower than traditional solutions. The transmitter side of the module adopts a self-developed silicon photonic chip with a modulator bandwidth no less than 50GHz, and its excellent optical transmission performance meets the application scenarios of linear reception.

For details regarding our next-generation ultra-high-speed AI intelligent connectivity products currently under development such as the 6.4T-related technologies, please refer to “— Research and Development — Our Technologies and R&D Focus.”

Telecom and Satellite Optical Modules

Our telecom and satellite optical modules serve as the cornerstone of our optical interconnect business, with its product portfolio covering a full range of optical communication modules and terminal communication equipment. These products are widely applied in wireless communication (5G/5G-A), broadband access (FTTX), backbone networks and metropolitan area networks, facilitating the construction of global mobile and fixed communication networks. Our optical module products cover the full series from 10G to 800G, precisely meeting the construction requirements of various segments of telecom networks. In addition, we provide a diverse range of communication terminal equipment including Wi-Fi routers and ONTs, etc. fully addressing the diversified needs of home, enterprise

BUSINESS

campus and operator network construction. Backed by over 20 years of accumulated technologies and experience in participating in global telecom infrastructure construction, our products have become core elements for global telecom equipment manufacturers (TEMs) and operators to build and operate 5G/5G-A and F5G/F5G-A networks.

Listed below is a summary of our key telecommunications products, including its key attributes and primary application scenarios.

Core Products	Key Attributes	Pictures
10G Series	10G rate, transmission distance of 300m-80km, applied to 4G/5G/5G-A fronthaul	 10G SFP+
25G Series	25G rate, transmission distance of 500m-40km, applied to 5G/5G-A fronthaul	 25G SFP28
100G Series	100G rate, transmission distance of 100m-40km, applied to 5G/5G-A midhaul and backhaul	 100G QSFP28
400G/800G Coherent Series	Coherent modulation, transmission distance of 80km-480km, mainly applied to data centers and backbone networks	
10G PON Series	10G rate, transmission distance of 10km, applied to broadband access (FTTX)	 PON OLT
50G PON Series	25G rate, transmission distance of 10km, applied to broadband access (FTTX)	

We are also developing 6G base stations and next-generation fixed network access technologies, with key developed products including 100G SFP112 single-channel, high-integration, and small-form-factor optical module, and the new growth segments in the vehicle-mounted optical communications sectors. As of the Latest Practicable Date, we have completed customer sample delivery and joint debugging and testing of multiple key products, and our key optoelectronic performance indicators have reached industry-leading levels. For details, please refer to “— Research and Development — Our Technologies and R&D Focus.”

Intelligent Sensing Business

Our intelligent sensing business focuses on providing high-quality, multi-scenario intelligent sensing solutions to customers in smart home, new energy and intelligent connected vehicles, and smart energy. Based on years of technological accumulation and industrial practice, we have established a comprehensive business portfolio that includes diverse sensor products for temperature, pressure and optoelectronics, along with the NEV thermal management systems including air PTC heaters, coolant PTC heaters, and integrated thermal management systems for NEVs. This integrated structure is

BUSINESS

supported by our core strengths in independent R&D, advanced production technologies, and a global customer network. As a key driver of our long-term growth, our intelligent sensing business fully leverages the industry development trends of intelligence, electrification, and digitalization, striving to become a global leading intelligent sensing solution provider.

We consistently adhered to a high-quality growth trajectory, achieving improvements in both scale and efficiency. Our revenue generated from intelligent sensing business amounted to RMB3,248.3 million, RMB3,668.2 million, and RMB4,026.9 million in 2023, 2024 and 2025, representing a CAGR of 11.3%. For detailed analysis of our financial performance, see “Financial Information — Description of Major Components of Our Results of Operations.”



Focusing on our key target industries, our market penetration in three core strategic sectors has achieved significant qualitative breakthroughs:

- **Smart Home:** Through continuous technological iteration, we have driven the smart and green upgrading of the household appliance industry. According to Frost & Sullivan, we have established in-depth cooperation with global leading home appliance brands. We have evolved from supplying single components to providing integrated and intelligent solutions, enabling home appliances with more sensitive environmental perception and smarter processing capabilities, and jointly building a smart home ecosystem with the global home appliance industry.
- **New Energy and Intelligent Connected Vehicles:** As a core growth engine, we have established in-depth collaboration with domestic leading new energy and intelligent connected vehicle manufacturers in the domestic NEV NTC sensor and NEV PTC heater. Our core products involve technologies at the global leading level. We provide automakers with massive, high-precision real-time data, enabling sensing, decision-making and thermal management safety in the smart mobility sector.

BUSINESS

- **Smart Energy:** We have established in-depth cooperation with world-leading battery manufacturers and energy storage system integrators. Leveraging our full-chain core technologies covering “materials — chips — devices — systems”, we provide highly reliable sensors and thermal management solutions for green energy applications, enhancing safety, efficiency and intelligent management capabilities in the energy industry.

During the Track Record Period, we have achieved strategic positioning in next-generation technologies, including integrated thermal management systems, flexible heating films, and MEMS sensors.

Sensor Products

As a core segment of our intelligent sensing business, our sensor products focus on providing high-precision, low-power-consumption, high-reliability multi-functional sensing solutions, covering temperature, pressure, and optoelectronics sensing categories. Backed by our self-developed sensitive ceramic chip manufacturing technology, systematic integration capabilities, and advanced precision manufacturing processes, our sensor products have been widely applied in smart home, new energy and intelligent connected vehicles and smart energy, serving a large number of global leading customers and establishing a solid market position. We have achieved breakthroughs in core technologies such as sensitive material R&D, chip design and packaging, software and hardware design and simulation, system integration.

Temperature Sensors

Our temperature sensors are the core and most mature product in our sensor portfolio, with the advantages of high sensitivity, fast response time, stable performance, and wide operating temperature range between -60°C to 400°C . We have achieved large-scale and highly automated production of temperature sensors, with a complete industrial chain layout from core NTC thermistor chips to finished products, and a product defect rate of less than 1 PPM. In terms of market performance, our temperature sensors hold a dominant position in the global home appliance segment market, and have been recognized as a National Single-Product Champion Enterprise in Manufacturing Industry (Sixth Batch) (第六批製造業單項冠軍) by the Ministry of Industry and Information Technology in 2021.

Our temperature sensors have been widely adopted by well-known home appliance brands at home and abroad, and are mainly applied in smart home sector. Our temperature sensors have also expanded into the automotive and photovoltaic energy storage fields. In the photovoltaic energy storage field, our photovoltaic energy storage temperature sensors (wall-mounted type) provide fast response time. In the automotive field, we provide temperature monitoring solutions for battery management systems of NEVs, with the core NTC thermistor passing UL certification and meeting the requirements of automotive-grade AEC-Q200. Our cooperative customers include global and domestic industry leaders in smart energy. We are continuously optimizing product performance and expanding application scenarios, and are currently developing high-precision temperature sensors for industrial control and medical equipment fields.

Pressure Sensors

Our pressure sensors cover absolute pressure sensors, differential pressure sensors and gauge pressure sensors, which are mainly used to measure gas, liquid pressure and pressure difference in various scenarios, with the advantages of high measurement accuracy, wide measurement range from 0.1 kPa to 100 MPa, strong environmental adaptability, and long service life. We have independent R&D and production capabilities for pressure sensor cores and modules, and have achieved breakthroughs in key technologies such as pressure sensor packaging and calibration.

BUSINESS

Our pressure sensors are primarily deployed across four key sectors: automotive, home appliances, industrial control, and photovoltaic energy storage. In the automotive industry, they enable critical pressure monitoring systems. In the home appliance sector, they are used for real-time monitoring of refrigerant pressure in multi-connected air conditioners. Within industrial control applications, they support functions such as pipeline pressure surveillance and hydraulic system monitoring. In photovoltaic energy storage, our sensors are utilized for energy storage tank and pipeline pressure detection, and are adopted by leading industry players in the sector. In addition, we are also developing high-precision pressure sensors for commercial aviation and medical equipment fields.

The temperature-pressure integrated sensor, one of our core products, optimizes the integration scheme of temperature and pressure sensing elements to simultaneously monitor both pressure and temperature. As of December 31, 2025, we have successfully entered the supply chains of over 20 renowned customers.

Optoelectronics

Our optoelectronics sensors include (i) air quality sensors, (ii) gas sensors, and (iii) optical sensors.

Air Quality Sensors

Our air quality sensors are a strategic addition to our sensor portfolio, integrating laser, infrared and MEMS-MOX sensing principles, dedicated to real-time detection and monitoring of air quality parameters such as total volatile organic compounds (TVOC), particulate matter (PM2.5/PM10), formaldehyde and carbon dioxide, with the advantages of multi-parameter simultaneous detection, high measurement accuracy, fast response and long service life. Our air quality sensors are widely used in automotive, smart home, fresh air ventilation systems and building automation sectors, meeting the air quality monitoring needs of in-car, indoor and industrial environments.

Our air quality integrated sensor integrating laser scattering and MEMS-MOX detection principles, can output TVOC, temperature and humidity and other key parameters in real time, and adopts a 5-dimensional comprehensive noise control method to completely solve the industry pain point of abnormal sensing noise. The product is specially designed for the in-car air quality monitoring of NEVs.

Gas Sensors

Our gas sensors are an emerging and key growth product in our sensor portfolio, mainly used to detect the concentration of toxic, flammable and explosive gases in the environment, covering refrigerant gas sensors, harmful gas sensors and other types. Backed by our core sensitive material technology and sensor design capabilities, our gas sensors have the characteristics of fast response time, high detection accuracy, low power consumption, and good stability, and can effectively meet the safety monitoring and environmental monitoring needs of various fields.

Our representative product, the refrigerant gas R290/R32/R454B leakage sensors, adopt the non-dispersive infrared high-precision detection principle, with a response time of less than 10 seconds, anti-interference ability three times better than that of MEMS-MOX sensors, a service life over 30,000 hours, and has passed IP67 protection certification and EMC anti-electromagnetic interference test, which is specially designed for smart home and new energy vehicles.

BUSINESS

Optical Sensors

Our optical sensors are a key high-growth product line in our sensor portfolio, specialized in optical signal detection, light intensity sensing and optical feature recognition, with core advantages of high light sensitivity, fast response time, strong anti-optical interference and stable performance in complex light environments. Our optical sensors are widely deployed across automotive, smart home, industrial control and smart city sectors, serving the core sensing needs of intelligent light control, environmental light detection and optical feature identification. Our cooperative customers in the automotive field include major domestic NEV OEMs and auto parts suppliers, and we have established stable supply relations with well-known smart home brands.

Our light-rainfall integrated optical sensor, a core product of our optical sensor line, integrates light intensity, rainfall, temperature, humidity, and sunlight sensing functions with arbitrary functional combination, and is mainly mounted on the front windshield of automobiles to realize intelligent functions such as automatic wiper control, rain-sensing window closing and automatic headlight activation.

NEV Thermal Management Systems

Our NEV thermal management systems are another core segment of our intelligent sensing business, which are specially developed to meet the thermal management needs of NEV, focusing on improving battery safety, extending battery life, enhancing driving range, optimizing vehicle energy efficiency, and enhancing comfort. Our NEV thermal management systems have formed a complete product portfolio covering mainly PTC heaters, and have been widely applied in NEV, serving a number of leading NEV manufacturers at home and abroad, with our products installed in approximately 67.2% of the NEV in China. Our NEV thermal management systems are strategically divided into three core product categories, covering the full-scenario thermal management needs of NEV from component supply to system integration: (i) air PTC heaters, (ii) coolant PTC heaters, and (iii) integrated thermal management system.

Air PTC Heaters

Our air PTC heaters are key components of NEV thermal management systems, mainly applied in cabin heating, defrosting and defogging scenarios, with the advantages of fast heating speed, high energy conversion efficiency of above 95%, stable operation, and low energy consumption. Leveraging core PTC ceramic heating technology and PWM power modulation, our air PTC heaters rapidly generate heat in low-temperature environments, ensuring compliance with safety regulations for defrosting and defogging. Simultaneously, the system automatically adjusts heating power based on ambient temperature changes to enhance passenger comfort. The new generation of products features a further miniaturized and lightweight design to accommodate various vehicle spatial requirements, improving energy efficiency and satisfying personalized needs.

Coolant PTC Heaters

Our coolant PTC heaters are mainly used for battery, motor and electronic control system thermal management, playing a crucial role in maintaining battery optimal working temperature between 10°C to 25°C and improving battery performance. Built around our core PTC heating technology, they adopt self-developed PTC stones and integrated design, with advantages of uniform heating, high temperature control accuracy and long service life, effectively solving NEVs’ low-temperature performance pain points.

BUSINESS

We possess comprehensive R&D and production capabilities across the entire industrial chain in the field of coolant PTC heaters. We have established collaborative innovation mechanisms with top-tier thermal management teams and university resources, conquering core technologies such as high-voltage chip formula, low flow resistance channel design, water and electricity separation, and high thermal conductivity insulation, achieving independent full-chain capabilities from material R&D to system integration. Our latest generation of coolant heaters has achieved a 24% weight reduction, a 45% volume reduction, and a 33% increase in power density, supporting vehicle lightweighting and space utilization.

Integrated Thermal Management Systems

Our integrated thermal management systems integrate coolant PTC heaters, temperature and pressure sensors, pumps and valves, radiators, control modules and pipelines into integrated thermal management solutions, providing one-stop thermal management services for NEV manufacturers. The module is designed as an integrated unit, reducing 40% of space occupation and 30% of pipeline length, increasing system energy efficiency by 25%, helping to increase the cruising range of electric vehicles by 15%.

We have strong system integration and R&D capabilities, and can customize exclusive integrated thermal management system solutions according to the specific needs of customers such as vehicle models, battery capacity, driving range, and regional climate characteristics. Our integrated thermal management system have passed strict automotive-grade tests, ensuring stable and reliable operation in the whole life cycle of vehicles. Integrated modules can sense the temperatures of various components across the vehicle and analyze the thermal control requirements of the battery, motor, and cabin in real time through advanced thermal management control algorithms. By automatically adjusting the operating modes of each component and the distribution of heating and cooling within the system, they ensure optimal operating conditions for various vehicle systems and enhance efficiency.

Our integrated thermal management systems span the full industrial chain from core components to system integration, with obvious technological advantages, reliable product quality, and a high-quality customer base.

BUSINESS

Intelligent Manufacturing Business

Our intelligent manufacturing business is one of our core business segments, focusing on the research and development, production, sales and integration of laser processing equipment, intelligent manufacturing systems and related turnkey solutions. Our intelligent manufacturing business include (i) macro processing equipment, (ii) micro processing equipment, and (iii) intelligent manufacturing solutions.



Our products and solutions under this segment are widely applied in various high-growth industries, including 3C electronics, semiconductors, automotive and NEV, shipbuilding, commercial aerospace and smart agriculture, and have been widely used in projects such as the C919 large aircraft and high-power heavy gas turbines, catering to the upgrading needs of global high-end manufacturing. Our revenue generated from intelligent manufacturing business amounted to RMB3,190.2 million, RMB3,491.7 million, and RMB3,635.9 million in 2023, 2024 and 2025, representing a CAGR of 6.8%. For detailed analysis of our financial performance, see “Financial Information — Description of Major Components of Our Results of Operations.”

Macro Processing Equipment

Our macro processing equipment business focuses on the R&D, production, sales and integration of high-power laser processing equipment and matching automated production lines. Our product portfolio covers high-power laser cutting, welding, cleaning equipment and 3D profile processing centers, with a focus on meeting the processing needs of large-size, complex curved surface and high-volume components. These products are widely used in heavy industry and automotive manufacturing fields that require macro processing, such as engineering machinery structural parts, automotive components, ship hulls and pipe fittings, bridge steel, heavy pipelines, large commercial aviation components and prefabricated building heavy profiles.

Our core products include 3D five-axis laser cutting intelligent equipment, airbag laser scoring intelligent equipment, automotive body-in-white laser welding automated production lines, and tire mold laser cleaning intelligent equipment.

BUSINESS

Products	Core Technology	Application Scenarios	Pictures
3D Five-Axis Laser Cutting Intelligent Equipment	- Equipped with proprietary CNC systems, 3D cutting heads, programming software, and machine bodies, achieving 100% localization of critical core components - Features a remote operation and maintenance system, AI intelligent interaction system, and visual rotated tool center point (RTCP) correction system, representing the highest technical standards for laser CNC machine tools globally	Automotive hot forming, mold prototyping, sheet metal processing, tube cutting, construction machinery, aerospace, medical devices, and the new energy sector; serving nearly 100 key domestic and international customers	
Airbag Laser Scoring Intelligent Equipment	- Proprietary laser closed-loop control system - Equipped with a proprietary laser scoring head, ensuring the stability of the scoring process - Proprietary loading and unloading mechanism, reducing the total cycle time to approximately 50 seconds and significantly enhancing production efficiency	Automotive passenger airbag, automotive steering wheel airbag cover, genuine leather instrument panel covering components	
Automotive Body-In-White Laser Welding Equipment	- High-power laser welding defect suppression technology - Shape and property control technology for large-scale thin-walled curved surface laser welding - Independent development of multiple key core laser technologies	Applied in automotive body-in-white laser welding automated production lines for automotive OEMs and the automotive component automation sector, with a track record of over 150 projects	
Tire Mold Laser Cleaning Intelligent Equipment	- Focus on the tire mold cleaning sector in the tire manufacturing industry, it is equipped with self-developed 3D vision algorithms, enabling automatic and precise positioning of molds and automatic planning of cleaning trajectories, with no manual teaching programming required throughout the process, and easily completing automatic cleaning operations for molds on a scale of thousands - Self-developed laser control system and galvanometer alarm control system, ensuring precise and safe laser beam output - Supports 3D preview of cleaning posture for early prediction and safe collision avoidance	Focusing on both online and offline tire mold cleaning application scenarios within the tire manufacturing industry	

Micro Processing Equipment

Our micro processing equipment business focuses on the research, development, production, sales and integration of precision laser micro-nano processing equipment and supporting automated production lines, targeting high-precision processing scenarios that require ultra-fine, non-damaging and high-accuracy manufacturing. Distinct from our marco processing business, which emphasizes high-power processing of large or heavy components, the micro processing business specializes in micro-level from micron to nanometer scale processing of small-sized or precision components, addressing industry pain points such as low processing accuracy, high defect rates and heavy reliance on imported equipment in downstream high-tech industries.

BUSINESS

Backed by our strong R&D capabilities, we have built a complete technological closed loop covering “laser light source — core components — precision equipment — automated production line integration”, with core component localization rates exceeding 80% for key products, including ultra-fast lasers, precision motion platforms and intelligent control systems.

Our products are widely applied in high-growth and high-value-added industries such as third-generation semiconductors, 3C consumer electronics, AI enabled communications, embodied intelligence, medical devices, new energy batteries, and commercial aviation precision components. These downstream industries are driven by technological upgrading and domestic substitution trends, generating strong and sustained demand for high-precision micro processing equipment. For example, the rapid development of third-generation semiconductors for NEV and 5G communications has boosted the demand for precision processing equipment such as wafer cutting and annealing; the upgrading of 3C products such as foldable phones, miniaturized electronic components has raised higher requirements for micro cutting and micro drilling accuracy.

Our core products include fully automatic semiconductor wafer laser cutting equipment, automated wafer laser annealing intelligent equipment, TGV glass substrate drilling intelligent equipment, SLM precision metal 3D printing intelligent equipment, and 1.6T silicon photonics optical module coupling and alignment equipment.

Products	Core Technology	Application Scenarios	Pictures
Fully Automatic Semiconductor Wafer Laser Cutting Equipment	• The first domestically developed high-end wafer cutting equipment with 100% localization of core components • Integrates self-developed ultra-fast UV lasers, AI visual positioning system and high-precision motion platform	• Third-generation semiconductor manufacturing (NEV power devices, photovoltaic inverters) • Domestic leading semiconductor enterprises’ production lines	
Automated Wafer Laser Annealing Intelligent Equipment	• Superior annealing uniformity — Large beam spot homogenization, with beam uniformity ≥95% • Equipped with an online laser quality monitoring module for real-time monitoring and adjustment of light source stability	• Utilizing the equipment front end module for pre-positioning, and combined with the relative motion of a customized laser annealing head and a precision motion platform, the system achieves annealing of the backside metal (Ni or Ti layer) on entire SiC wafers.	
TGV Glass Substrate Drilling Intelligent Equipment	• Jointly developed with national-level material laboratories; pioneers laser-induced micro-hole deep etching technology • Specialized for precision drilling of glass substrates for advanced packaging	• Advanced semiconductor packaging, 3D integration, communication chips	
SLM Precision Metal 3D Printing Intelligent Equipment	• Utilizes Selective Laser Melting (SLM) technology to achieve precision additive manufacturing of small, complex metal components. • Features multi-laser parallel processing capabilities, significantly enhancing production efficiency.	• 3C consumer electronics (precision connectors) • Commercial aviation precision components	

BUSINESS

Products	Core Technology	Application Scenarios	Pictures
1.6T Silicon Photonics Optical Module Coupling and Alignment Equipment	• Nanometer-level optical alignment • Proprietary intelligent AI algorithms • Autonomous equipment lifecycle monitoring • Compatible with multiple product models • One-click automatic calibration	Optical communication industry	

Intelligent Manufacturing Solutions

Our intelligent manufacturing solutions include (i) intelligent equipment and automated production lines and (ii) intelligent factory solutions.

Intelligent Equipment and Automated Production Lines

Our intelligent equipment and automated production lines business focuses on providing turnkey intelligent manufacturing solutions that integrate self-developed laser processing equipment, industrial robots, digital management systems and smart logistics modules. This business line is designed with standardized, replicable and commercially scalable features, enabling repeatable sales and large-scale promotion across multiple scenarios. Distinct from our macro processing which focused on high-power single equipment and micro processing which focused on precision single equipment businesses, our intelligent equipment and automated production lines specialize in end-to-end automation integration covering process design, equipment deployment, data connectivity and post-commissioning services to address pain points such as low efficiency, high labor costs and inconsistent quality in traditional manufacturing.

Backed by in-depth technological accumulation in laser processing, AI visual recognition, robotics and digital twin, we have formed a comprehensive solution capability covering “hardware integration + software empowerment + process optimization”. We believe our core advantages lie in: (i) strong customization capability, adapting to diverse needs of different industries such as shipbuilding and marine engineering, energy equipment, and new energy; (ii) high localization rate of core components over 85% for integration-related hardware or software; (iii) mature digital empowerment, integrating MES systems, digital twin platforms and 5G+ industrial internet to realize full-process data visualization and intelligent scheduling; and (iv) proven large-scale project experience, with over 50 automated production lines delivering globally, including projects in shipbuilding and new energy.

BUSINESS

Our products and solutions are widely applied in high-value industries such as shipbuilding and marine engineering, sheet metal manufacturing, automotive manufacturing, 3C consumer electronics, new energy such as hydrogen energy, NEVs, and bridge steel structure processing. A representative product of our intelligent equipment and automated production lines is the intelligent laser weeding robot. We tailor solutions to the unique needs of each industry, with the following representative offerings demonstrating our core competitiveness:

Production Line	Core Technologies and Advantages	Key Customer Types	Industry Application	Pictures
Hydrogen Energy Metal Bipolar Plate Automated Production Line . . .	● Third-generation product with over 50 patents ● Realizes fully automatic process from ultra-thin plate cutting to laser welding and inspection ● Features deformation control for large-area ultra-thin plates with deformation not exceeding 1mm ● Yield rate reaches 99%	● Scaled from pilot to mass commercialization ● Secured partnerships with leading hydrogen energy players ● Experienced steady growth in order volume ● Strengthened core competitiveness and growth momentum in hydrogen energy	New Energy (Hydrogen Energy)	
Battery Tray Laser Welding Automated Line	● Integrates six-axis robots, high-power fiber lasers, online inspection systems and real-time weld tracking systems ● Supports flexible welding processes including laser wire filling and remote scanning welding	● Applied to the new energy battery box laser welding projects of multiple users from component enterprises and new energy enterprises ● Achieves technological reuse and standardization, providing efficient and stable welding to support the mass production of personalized and diversified battery box product types to adapt to the market	Automotive & NEV	
PCB/FPC Online Laser Cutting Production Line	● High-precision laser processing technology (adopting UV laser/ ultrafast laser for micro-cutting) ● AI visual positioning and recognition technology (realizing automatic alignment and defect detection) ● Online continuous processing and conveying technology (supporting seamless connection with front-end and back-end 3C production processes) ● Digital control and data interconnection technology (integrating with MES system for full-process data visualization)	● Achieved the leap from project piloting to large-scale commercial application ● Secured partnerships with leading players in the electronics manufacturing services and precision components industry ● Realized steady growth in order volume ● Delivered efficient and stable intelligent manufacturing competitiveness for customers	3C Consumer Electronics, PCB/FPC Processing, and Smart Devices	

BUSINESS

Production Line	Core Technologies and Advantages	Key Customer Types	Industry Application	Pictures
Intelligent Laser Weeding Robot	- Integrated with AI image recognition technology, laser weeding technology, autonomous navigation system (GPS/Beidou dual-mode positioning) and precision control technology - Adopts adaptive weeding mode to distinguish crops from weeds accurately	- Establishes cooperative relationships with a number of leading large-scale farms in the industry - Provides customers with one-stop intelligent weeding services from equipment deployment to operation and maintenance. Relying on machine vision and laser precision weeding technology, it replaces traditional chemical pesticides and manual weeding, achieving green planting with zero pesticide residues and no soil pollution	- Large-scale farmland, economic crop orchards (e.g., apple orchards, citrus orchards), vegetable bases, seedling nurseries, and modern agricultural demonstration park - Suitable for weeding operations of grain crops, cash crops and vegetables	 

Intelligent Factory Solutions

Our intelligent factory solutions are integrated, customized intelligent solutions developed based on our core technologies in laser processing, optoelectronic communication, intelligent sensing and embodied intelligence, aiming to help customers achieve full-process digitalization, networking and intelligence of production.

Backed by our rich experience in intelligent equipment R&D and industrial application, our intelligent factory solutions cover the entire industrial chain of intelligent factory construction, including intelligent planning and design, core equipment integration, industrial software deployment, system debugging and after-sales technical support. We adopt AI communication and industrial Internet of Things (IIoT) technologies to realize seamless connection and real-time data interaction between various production equipment, sensing systems and management platforms, forming a closed-loop management of “equipment operation — data collection — analysis and decision-making — intelligent control”.

Our intelligent factory solutions are widely applicable to multiple industries such as semiconductor manufacturing, new energy, modern agriculture, and industrial parts processing, and have been recognized by well-known domestic and foreign enterprises in related fields. In the modern agriculture field, we integrate our intelligent laser weeding robot with farmland intelligent sensing systems and background management platforms to build intelligent agricultural factories, realizing autonomous weeding, and intelligent monitoring of farmland. In the new energy field, our solutions support intelligent assembly and testing of NEV parts and photovoltaic components, which we believe could meet the high-precision and high-efficiency production needs of customers.

Our intelligent factory solutions are delivered through a streamlined five-stage business process to ensure rigorous quality control, efficient project execution, and alignment with customer requirements: (i) Demand & Design — conducting in-depth project research and developing customized technical solutions, including demand analysis reports, CAD layout drawings, and cost estimates; (ii) Bidding & Contracting — preparing comprehensive bid documentation and executing formal technical agreements upon project award; (iii) R&D & Design Finalization — encompassing subcontractor management, in-house equipment research and development, and thorough blueprint review and approval; (iv) Delivery & Implementation — carrying out on-site installation, system commissioning, and customer acceptance testing; and (v) Project Closure — completing the final system handover to ensure a seamless transition to production and full customer satisfaction.

BUSINESS



Representative Case

Our intelligent factory solutions are illustrated by a flagship project for a leading inland new energy vessel manufacturer under a regional energy development group, an intelligent factory initiative for inland new energy vessel production. Spanning a production facility of over 30,000 square meters, we delivered a full-process intelligent transformation that integrated physical infrastructure with digital systems. Our scope included the deployment of a smart yard management system, automated steel plate and profile cutting lines, and intelligent pre-assembly welding production lines, all orchestrated by a unified integrated platform for ship design, manufacturing and operation. The platform enabled seamless data flow from design to production execution. We embedded our proprietary core technologies throughout the workflow, including a patent-protected automatic assembly and spot welding system, as well as our high-speed laser hybrid welding technology which achieves a welding speed two to three times faster than traditional arc welding. Our end-to-end solution enabled automated and intelligent operations across the entire hull component production lifecycle, from the warehousing and automated handling of raw steel, through precision cutting, intelligent sorting, and autonomous logistics transfer, to the final panel assembly and welding stages. Recognized as a benchmark for digital transformation in China’s inland new energy vessel manufacturing sector, the project fully underscores our comprehensive capabilities in overall planning, core equipment integration, and the deployment of large-scale intelligent factory solutions.

PRODUCTION

We have strategically positioned ourselves as a manufacturer with a multi-regional footprint, leveraging a coordinated production capacity layout across our multiple production facilities. Our manufacturing capabilities allow us to address changes in customers’ demand and leverage the synergies among our three primary manufacturing bases. Each base has a customized role and collaborates with each other under a coordinated effort, improving efficiency of our production operations.

Our PRC base serves as an important pillar of our global operations, primarily supplying capacity for sales across 90 countries and regions. Our PRC manufacturing capabilities serve as our manufacturing core and primary engine for global supply with manufacturing facilities supporting all three of our core business segments:

- Optical Interconnect Business.** Our optical interconnect business operates high-speed optical module manufacturing facilities, including the Wuhan Future City Production Base (武漢未來城生產基地). Commencing commercial operations in August 2025, the Wuhan Future City Production Base currently achieves a monthly production capacity of 1 million units for optical modules with a data rate of 200G and above, and 2 million units for optical modules with a data rate below 200G. We also operate the Xiaogan Smart Terminal Industrial Base (孝感智能終端產業基地) which operates facilities for the dedicated manufacturing of terminal devices with a designed monthly production capacity of 3 million units and achieved an actual monthly production capacity of 2.2 million units in 2025.
- Intelligent Sensing Business.** Our intelligent sensing business manufactures sensors and thermal management systems from our Xiaogan Industrial Park facility (孝感產業園), which primarily manufactures sensors for temperature, pressure, and optoelectronics. Our annual production capacity exceeds 11 million thermal management systems and over 1 billion sensors.

BUSINESS

- Intelligent Manufacturing Business.** Our facilities produce laser cutting, welding, and processing intelligent equipment, along with automated production lines and integrated solutions. The intelligent manufacturing business production capabilities in the PRC operate from our HG Laser Intelligent Equipment Gedian Campus (華工激光智能裝備事業群葛店園區) and Wuhan Future City Production Base, which includes advanced laser machining centers, precision CNC equipment, and automated assembly systems. Our Gedian campus possesses an annual production capacity of 1,000 units of high-power laser cutting, welding, and cleaning intelligent equipment, along with 16 intelligent factory production lines for sheet metal processing. As of December 31, 2025, our Wuhan Future City production base achieved an annual production capacity of 8,947 units. We also operate additional specialized facilities including the Jiangsu Huagong Blue Sky Suqian Base (江蘇華工藍天宿遷基地), which primarily manufactures automated laser decoiling and blanking lines; Shenzhen New Energy (深圳新能源), which produces laser processing equipment for the lithium battery industry; Shandong Huagong Laser Intelligent Equipment Co., Ltd. (山東華工激光智能裝備有限公司), which manufactures CNC laser profile processing production lines; Jiangsu HGLaser Engineering Co., Ltd. (江蘇華工激光科技有限公司), which manufactures laser processing equipment for the consumer goods sector; Harbin HG Zhiyun Technology Co., Ltd. (哈爾濱華工智耘科技有限公司), a specialist in intelligent laser weeding robots; Suzhou HG Automation Technology Co., Ltd. (蘇州華工自動化技術有限公司), which provides professional intelligent production line equipment and solutions; and Suzhou Lihua Zhiwei Technology Co., Ltd. (蘇州立華智維科技有限公司), which focuses on the research and development, production and application of additive manufacturing equipment.

Our Utilization Rates

The table below sets out the details on the production capacity, actual production output and utilization rates of our major products in each business segments.

	Year ended December 31,								
	2023			2024			2025		
	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)
Optical Interconnect Business									
— AI computing power optical modules ('000)	2,000	1,807	90.4	3,500	3,452	98.6	6,800	6,603	97.1
— Telecom and satellite optical modules ('000)	14,000	13,615	97.3	14,000	13,026	93.0	14,000	13,455	96.1
Intelligent Sensing Business									
— Sensor products ('000)	693,000	658,772	95.1	794,000	779,250	98.1	882,000	766,981	87.0
— NEV thermal management systems ('000)	159,000	132,680	83.4	159,000	105,779	66.5	208,000	149,369	71.8
Intelligent Manufacturing Business									
— Macro processing equipment	1,100	1,076	97.8	1,100	1,069	97.2	1,300	1,258	96.8
— Micro processing equipment	9,267	8,507	91.8	10,184	9,343	91.7	11,149	9,878	88.6

Our Equipment and Machinery

We endeavor to equip our production facilities with state-of-the-art equipment, which we believe is essential for increasing automation and ensuring reliability, as well as for cost competitiveness. Many of the machines we utilize require limited human operation, allowing us to reduce labor costs and focus our

BUSINESS

manufacturing facility staffing on maintenance and supervisory personnel. We design, customize and integrate a variety of advanced technologies into our production processes. We have also internally developed many of the production technologies and equipment used in our production processes.

We conduct inspections and maintenance work at our production facilities on a periodic basis, while overhauls are generally carried out on the whole production facilities at a particular location from time to time. We require our equipment suppliers to keep all their machinery and equipment in good and proper repair and conduct regular safety checks during the term of their services. For the machinery at our processing facilities and equipment that we own, we also conduct maintenance and overhaul on a regular basis.

We have developed and implemented internal procedures regarding maintenance protocols at our facilities periodically according to the characteristics and requirements of the specific equipment and machinery in order to ensure their proper function. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspension of operations due to failures of our machinery, equipment or other facilities.

Our Production Process

The following flowchart depicts a simplified production process from supply of raw materials to delivery of products to customers.

Optical Interconnect Business

Our optical interconnect business follows a standardized, quality-controlled production process for finished optical modules, with a typical production cycle ranging from 8.5 to 12.5 days. The process commences with multiple rounds of die attach (semiconductor chip mounting), followed by Wire Bonding with automated optical inspection (AOI) verification. This is succeeded by multi-stage optical coupling to align optical components with precision. The assembled units then proceed to module assembly, after which comprehensive module testing is conducted to validate performance and functionality. The final stage involves final packaging to ensure the finished products are protected and prepared for customer delivery.



Production Process Schematic for Typical Optical Modules

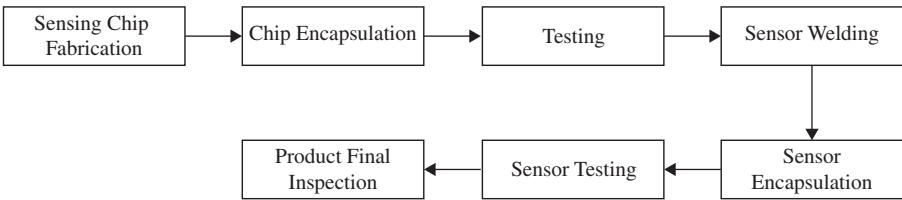
Intelligent Sensing Business

Sensor Products

Our sensor products are manufactured through a rigorous, standardized production process underpinned by stringent quality control measures at each stage. For sensing chip fabrication, we are capable of in-house chip fabrication, protective encapsulation, and rigorous testing to ensure basic functionality and specification compliance.

In the sensor products manufacturing stage, welding establishes reliable connections between components. After the sensing element is placed, sealing and housing assembly are performed. Finished products undergo comprehensive electrical testing to ensure compliance with technical specifications. Only sensors that pass strict functional inspection are delivered to customers.

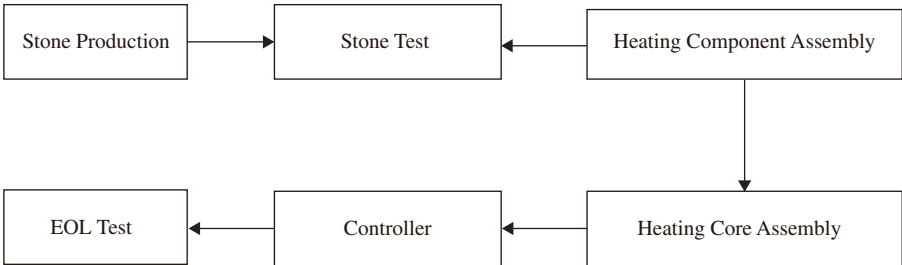
BUSINESS



Production Process Schematic for Sensor Products

NEV Thermal Management System

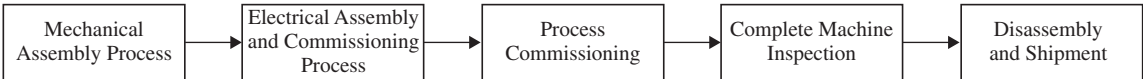
Our products are manufactured in a strictly standardized production process with a quality control system embedded in every step: PTC stone production controls the consistency of incoming materials through the management of their physical and chemical properties. An automated feeding system ensures that material proportions adhere to the specified formula. PTC stone powder is formed through high-speed stirring and mixing, spray granulation and other processes. The powder is then processed through pressing, firing, and electrode fabrication to create the PTC stone. After being sorted by withstand voltage and resistance values, the PTC stone enters the heater assembly process. PTC stones with traceable information are assembled into heating components according to specified resistance ratios. The heating core is assembled using fully automated equipment, and withstand voltage and insulation tests are performed. After testing, the heating core undergoes controller assembly and software integration in the later stages of automated equipment to achieve full heater functionality. The assembled product undergoes end-of-life (EOL) testing to align with vehicle performance and control requirements, while also undergoing visual inspection and coding traceability before being packaged and stored.



Production Process Schematic for NEV Thermal Management Systems

Intelligent Manufacturing Business Production Process

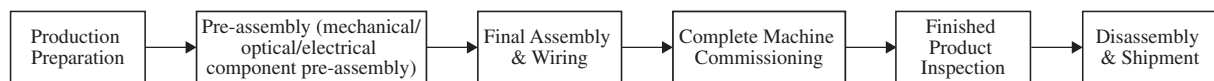
Our production process of macro processing equipment commences with mechanical assembly, where the core mechanical structure of the equipment is fabricated and assembled. This is followed by electrical assembly and commissioning, which involves the integration of electrical components, wiring and initial functional testing to validate system connectivity and basic operation. Subsequently, process commissioning is conducted to fine-tune operational parameters, optimize machining performance and align the equipment with specific production requirements. Following this, final machine inspection is performed to comprehensively verify functionality, accuracy and adherence to design specifications. Upon successful completion of all inspection stages, the equipment proceeds to packaging and warehousing, where it is prepared for secure storage and subsequent delivery to customers.



Production Process of Macro Processing Equipment

BUSINESS

Our production process of micro processing equipment adopts a standardized, efficient modular production process. Starting with material preparation based on the bill of materials, we conduct parallel pre-assembly of core functional modules (mechanical, optical and electrical components), followed by drawing-aligned full-machine wiring, power-on activation and functional commissioning. After confirming all process indicators are qualified, the product undergoes final inspection. We will then issue a certificate of conformity before disassembling the machine into transportable modules for packaging and delivery.



Production Process of Micro Processing Equipment

SALES AND MARKETING

Our Sales Network

We have established a comprehensive sales network that spans both domestic and international markets across our three core businesses: the optical interconnect business, the intelligent sensing business, and the intelligent manufacturing business. As of December 31, 2025, we sold our products to direct sales customers in over 90 countries and regions worldwide.

The following table sets forth a breakdown of our revenue from continuing operations by geographic region based on customer place of registration, in absolute amounts and as percentages of the total revenue, for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese Mainland	9,209,563	89.3	10,327,714	88.2	12,344,516	86.0
Europe	370,432	3.6	519,080	4.4	373,262	2.6
North America	63,189	0.6	162,570	1.4	393,358	2.7
Southeast Asia	137,549	1.3	199,083	1.7	640,714	4.5
Others ⁽¹⁾	529,000	5.2	500,728	4.3	602,911	4.2
Total	10,309,733	100.0	11,709,175	100.0	14,354,761	100.0

Note:

(1) Other countries and regions mainly include Australia, India and other countries.

Our business footprint currently extends to over 90 countries and regions globally, with approximately over 10% of our revenue derived from overseas markets. We strategically focus on regions such as North America, Europe, Southeast Asia, and Japan. During the Track Record Period, revenue derived from overseas market increased from 10.7% in 2023 to 11.8% in 2024, and further increased to 14.0% in 2025.

Our Sales Channel

We operate a unified sales philosophy emphasizing key account management, direct customer relationships, and technical value-added service delivery, while implementing segment-specific channel architectures to reflect market realities and customer acquisition patterns. Across all three of our core

BUSINESS

businesses, we emphasize direct sales to end-customers as the primary sales relationship model, enabling close technical engagement, rapid response to customer needs, and capture of value-added services beyond product supply.

Optical Interconnect Business Channel

Our optical interconnect business adheres to a key account strategy focused on direct sales to top global internet service and data application providers, NEMs, telecom operators and intelligent vehicle manufacturers. Revenue is primarily generated through direct sales contracts with strategic partners including major PRC and international cloud service providers and telecommunications infrastructure companies. We have established dedicated customer service teams for strategic-level customers, providing 24/7 technical support and collaborative R&D engagement. For smaller accounts and dispersed market segments, we employ a tiered customer management approach with differentiated service models reflecting customer value and growth potential.

Intelligent Sensing Business Sales Channel

Our intelligent sensing business operates primarily through direct sales to OEMs and system integrators across home appliances, automotive, energy storage, and renewable energy sectors. We have cultivated long-term partnerships with over 200 globally recognized clients across various sectors, leveraging technical specialization and customized solutions to build customer loyalty.

Intelligent Manufacturing Business Sales Channel

Our intelligent manufacturing business operates primarily through direct sales to automotive manufacturers, shipbuilders, commercial aviation companies, and other high-precision manufacturers. Notably, we have pioneered innovative channel models, including the establishment of overseas subsidiaries in key international markets such as Europe and Southeast Asia, integrating display, sales, service, and solutions functions to provide one-stop customer support. This model has significantly enhanced customer satisfaction in high-value segments.

Our Direct Sales

Overview

Our direct sales customers vary by business segments:

- *Optical Interconnect Business.* Direct sales to leading global cloud service providers, major system equipment manufacturers, and telecommunications operators. We focus on 5G/5G-A and data center infrastructure applications.
- *Intelligent Sensing Business.* Direct sales to OEMs and system integrators across home appliances, automotive, and renewable energy sectors requiring advanced sensor and thermal management solutions.
- *Intelligent Manufacturing Business.* Direct sales to automotive manufacturers, shipbuilders, and other high-precision manufacturers requiring advanced laser processing equipment and integrated manufacturing solutions.

BUSINESS

Principal Contractual Terms with Direct Sales Customers

We typically enter into framework direct sales agreements with our direct sales customers. Salient terms of our framework direct sales agreements with direct sales customers by business segments are set out below:

Optical Interconnect Business

- *Term and termination.* We typically enter into renewable framework direct sales agreement with a fixed term from one to three year(s), which may be terminated by direct sales customers upon prior written notice.
- *Pricing policy.* We sell our products to direct sales customers at mutually agreed prices.
- *Payment and credit term.* Direct sales customers are generally required to pay us upon acceptance of our products. We generally grant a credit period of up to 105 days to our direct sales customers of from the date of billing.
- *Purchase amount.* The purchase amount is specified in each purchase order under the framework agreement.
- *Product return arrangements.* We typically do not allow our direct sales customers to return products to us except for limited reasons, such as product design defects or quality issues.
- *Logistics.* We are responsible for delivering our products to locations designated by our direct sales customers. For our customers in China, products are generally delivered directly to their warehouse. For international customers, delivery is generally executed on a free carrier basis, whereby our delivery obligation is deemed fulfilled once the products are handed over to the carrier or freight forwarder.
- *Product warranty.* We typically provide a product warranty period of three to five years.

Intelligent Sensing Business

- *Term and termination.* We typically enter into framework direct sales agreement for an indefinite term, which may be terminated by direct sales customers upon prior written notice.
- *Pricing policy.* We sell our products to direct sales customers at mutually agreed prices.
- *Payment and credit term.* Direct sales customers are generally required to pay us upon acceptance of our products. We generally grant a credit period of up to 60 days from the date of billing.
- *Purchase amount.* The purchase amount is specified in each purchase order under the framework agreement.
- *Product return arrangements.* We typically do not allow our direct sales customers to return products to us except for limited reasons, such as product design defects or quality issues.
- *Logistics.* We are responsible for delivering our products to locations designated by our direct sales customers.
- *Product warranty.* We generally provide a product warranty ranging from one to six years for products used in home appliances, subject to the warranty terms of the end product.

BUSINESS

Intelligent Manufacturing Business

- *Term and termination.* We typically enter into framework direct sales agreement with a fixed term from one to three years, which may be terminated by direct sales customers upon prior written notice.
- *Pricing policy.* We sell our products to direct sales customers at mutually agreed prices.
- *Payment and credit term.* Direct sales customers are generally required to pay us upon acceptance of our products. We generally grant a credit period of up to 180 days to our direct sales customers of from the date of billing.
- *Purchase amount.* The purchase amount is specified in each purchase order under the framework agreement.
- *Logistics.* We are responsible for delivering our products to locations designated by our direct sales customers.
- *Product warranty.* We typically provide a product warranty period of one year.

Pricing

We price our products across the three core business segments according to a unified cost-margin methodology adapted to segment-specific value positioning and competitive dynamics. Among other factors, we consider: (i) customer demands, (ii) raw material costs, (iii) product differentiation and (iv) competitive landscape of the markets.

Optical Interconnect Business

Our optical interconnect business adopts a cost-based, market-oriented and value-centered pricing mechanism with a tiered pricing system that balances standardization and flexibility. We set our final prices primarily based on product costs, supplemented by technical specifications and customer categories. For domestic customers, pricing is mainly determined through tenders. For overseas customers, we apply diversified and flexible pricing arrangements in line with local market practices.

Our optical modules are positioned in the high value-added market. We maintain this premium positioning by competing primarily on technological differentiation and value-added services rather than price competition, reflecting our technology and service focused approach. To incentivize volume commitments and strengthen partnerships with strategic customers, we apply volume-based pricing mechanisms that reflect economies of scale.

BUSINESS

Intelligent Sensing Business

Our intelligent sensing business employs a cost-plus pricing model, where pricing is primarily determined by production costs with the addition of reasonable profit margins. The pricing framework incorporates dynamics of raw material price fluctuations, cost optimization initiatives, exchange rates, and competitive market positioning to maintain pricing competitiveness while preserving margins.

We maintain an upper-mid-range pricing position for our intelligent sensing business within the global sensor and thermal management industry. This premium positioning reflects our commitment to product quality, reliability, and technological capability. During the Track Record Period, the sensor and thermal management segment has demonstrated relative price stability despite raw material volatility, reflecting successful cost management, manufacturing efficiency improvements, and operational scale advantages. Our optimization of technical routes, vertical integration capabilities, and manufacturing processes have enabled cost absorption and price stabilization while maintaining premium quality and reliability standards.

Intelligent Manufacturing Business

Our intelligent manufacturing business establishes pricing through a market-oriented strategy that leverages our core technological barriers and product value-added features. Pricing is primarily determined by market competition, customer-specific customization requirements, and project complexity. We maintain a premium positioning in the industry by capitalizing on proprietary technological advantages in core processing capabilities, such as three-dimensional five-axis laser cutting equipment, automotive body-in-white laser welding automated production lines, and precision specialty material processing. This positioning allows the segment to sustain pricing power above industry averages while maintaining leading profit margins.

Marketing

Our marketing strategy reflects a commitment to technology-driven positioning, brand building, and customer engagement activities aligned with our three core business segments.

Optical Interconnect Business

Our optical interconnect business marketing focuses on next-generation optical interconnect technologies essential for AI data center infrastructure, 5G/5G-A/6G, and F5G/F5G-A/6G networks. We engage in joint technical marketing with leading global cloud service providers and system equipment manufacturers, including participation in industry standards development and collaborative R&D initiatives. Our marketing highlights our standing as a top 10 global optical module supplier, with mass production capabilities for 400G, 800G and 1.6T modules, and we have launched the world’s first 3.2T CPO Optical Engine products on April 2, 2025.

BUSINESS

Intelligent Sensing Business

Our intelligent sensing business marketing highlights proven market leadership and reliability across multiple segments including temperature sensors for home appliances, automotive thermal management equipment, and critical automotive components. We leverage customer success stories, technical support collaboration, and participation in leading international trade shows, such as Electronica in Munich (德國慕尼黑國際電子元器件博覽會), to drive new customer acquisition across smart home, new energy and intelligent connected vehicles, and smart energy.

Intelligent Manufacturing Business

Our intelligent manufacturing business focuses its marketing on maintaining the market-leading position in automotive body-in-white laser welding automated production lines, three-dimensional five-axis laser cutting intelligent equipment and brittle material laser processing intelligent equipment, as well as advanced applications in the automotive, shipbuilding, commercial aviation, 3C, semiconductor and advanced material processing sectors.

As of December 31, 2025, our sales and marketing team consisted of 1,051 employees, of which 97% based in Chinese Mainland, and 3% based in overseas countries such as the United States, Hungary, Thailand.

OUR CUSTOMERS

Our customers are mainly OEMs, system integrators, cloud service providers, telecommunications operators, and automotive manufacturers in various application scenarios covering automotive manufacturing, home appliances, new energy, commercial aviation, industrial equipment, AI computing infrastructure, and other industries. During the Track Record Period, our transactions with customers in various application scenarios were negotiated on an arm’s length basis.

Major Customers

During the Track Record Period, the aggregate revenue generated from our top five customers in each year amounted to RMB3,016.9 million, RMB3,425.5 million, and RMB4,966.2 million respectively, representing approximately 29.3%, 29.3%, and 34.6% of our total revenue in the respective year.

All of our top five customers were Independent Third Parties during the Track Record Period. None of our Directors and their respective associates or our Shareholders who hold more than 5% of our total issued Shares had any interest in our five largest customers during the Track Record Period. Additionally, we did not experience any material disputes with our customers during the Track Record Period.

Most of our major customers maintained long-term relationship of at least three years with us during the Track Record Period.

BUSINESS

During the Track Record Period, our customers generally settled their payments through bank transfer and notes payable, in accordance with negotiated payment terms specified in their individual customer contracts. The following table sets forth our top five customers in each year during the Track Record Period:

For the year ended December 31, 2023:

Ranking	Customer	Background	Major Products sold	Amount of revenue RMB'000	% of total revenue of our Group %	Year of commencement of business relationship with our Group	Credit term
1	Customer/Supplier Group A	A global leading provider of information communications technology (ICT) solutions, covering ICT infrastructure, smart devices, cloud computing, digital power, intelligent vehicle solutions and related R&D, manufacturing and marketing services.	AI computing power optical modules, and telecom and satellite optical modules	1,758,027	17.1	2004	30–105 days
2	Customer B	An enterprise principally engaged in the manufacturing, sales, and technological R&D of power electronic components and specialized electronic materials	Telecom and satellite optical module	424,743	4.1	2022	30–105 days
3	Customer C	An enterprise principally engaged in the research, development, manufacturing, and sales of new energy vehicles, rechargeable batteries, and electronic components	Sensors, and laser equipment	298,223	2.9	2016	0–60 days
4	Customer D	An enterprise principally engaged in the research, development, manufacturing, and sales of new energy vehicles, core electric powertrain components, and smart mobility technologies.	Sensors	286,134	2.8	2020	60 days
5	Customer E	An enterprise principally engaged in the research, development, manufacturing, and sales of automotive components, integrated systems, and smart mobility technologies	Sensors	249,810	2.4	2019	120 days

BUSINESS

For the year ended December 31, 2024:

Ranking	Customer	Background	Major Products sold	Amount of revenue RMB'000	% of total revenue of our Group %	Year of commencement of business relationship with our Group	Credit term
1	Customer/Supplier Group A	A global leading provider of ICT solutions, covering ICT infrastructure, smart devices, cloud computing, digital power, intelligent vehicle solutions and related R&D, manufacturing and marketing services.	AI computing power optical modules, and telecom and satellite optical modules	1,798,601	15.4	2004	30–105 days
2	Customer F	An enterprise principally engaged in the R&D, manufacturing, and sales of automotive domain controllers, focusing on advanced driver-assistance systems (ADAS), smart cockpits, and body control	Telecom and satellite optical modules	806,522	6.9	2024	30 days
3	Customer C	An enterprise principally engaged in the research, development, manufacturing, and sales of new energy vehicles, rechargeable batteries, and electronic components	Sensors, and laser equipment	321,823	2.7	2016	0–60 days
4	Customer E	An enterprise principally engaged in the research, development, manufacturing, and sales of automotive components, integrated systems, and smart mobility technologies	Sensors	266,036	2.3	2019	120 days
5	Customer G	An enterprise principally engaged in the design, development, manufacturing, and sales of premium smart electric vehicles and intelligent mobility technologies.	Sensors	232,516	2.0	2019	90 days

BUSINESS

For the year ended December 31, 2025:

Ranking	Customer	Background	Major Products sold	Amount of revenue RMB'000	% of total revenue of our Group %	Year of commencement of business relationship with our Group	Credit term
1	Customer/Supplier Group A	A global leading provider of ICT solutions, covering ICT infrastructure, smart devices, cloud computing, digital power, intelligent vehicle solutions and related R&D, manufacturing and marketing services.	AI computing power optical modules, and telecom and satellite optical modules	2,241,399	15.6	2004	30–105 days
2	Customer F	An enterprise principally engaged in the R&D, manufacturing, and sales of automotive domain controllers, focusing on advanced driver-assistance systems (ADAS), smart cockpits, and body control	Telecom and satellite optical modules	1,229,066	8.6	2024	30 days
3	Customer H	An enterprise principally engaged in e-commerce, cloud computing, digital media and entertainment, and technological R&D	AI computing power optical modules	740,169	5.2	2024	45 days
4	Customer C	An enterprise principally engaged in the research, development, manufacturing, and sales of new energy vehicles, rechargeable batteries, and electronic components	Sensors, and laser equipment	381,801	2.7	2016	0–60 days
5	Customer I	A multinational automaker principally engaged in the research, development, manufacturing, sales, and servicing of passenger vehicles, powertrains, and new energy technologies	Sensors	373,769	2.5	2020	30–60 days

During the Track Record Period, we generated a significant share of our revenue from our top five customers. We expect to generate a significant portion of revenue from our major customers. We have maintained long-term and stable collaborative relationships with our top five customers for up to 21 years. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with any of our top five customers, and currently there is no indication or sign that any of them will alter the existing relationship with us in any aspect in the near future.

BUSINESS

CUSTOMER SERVICES

Our after-sales quality control system is designed to provide rapid and effective support to customers, ensuring long-term product reliability and performance throughout their lifecycle. To streamline customer onboarding and integration, we offer comprehensive support including training and pre-sales guidance documentation, implementation training, and technical resources that enable clients to seamlessly deploy and optimize our products in their operations. Our on-site technical support teams are committed to fast-response solutions with 24-hour contact availability and on-site support for major customers. We maintain around the clock customer support capabilities for strategic accounts across our business segments, with dedicated technical teams structured through formal support modules, providing diagnostics, troubleshooting, and replacement services. Our support extends to warranty coverage tailored to segment-specific requirements, including product warranties with complimentary repairs, and software upgrade services to support ongoing product optimization. By maintaining close communication with customers, we proactively identify and address potential quality issues, track emerging reliability concerns, and implement continuous product improvements. We further support customers through regional service centers in key overseas markets, and direct outreach on maintenance requirements and technological updates, ensuring optimal product performance and customer satisfaction.

Product Return

Based on our policy, products sold to customers cannot be returned except for instances of product design defects and quality issues. On average, the value of products returned by customers accounted for less than 1% of our total revenue of respective periods during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints or product liability claims from our customers. Since these complaints were resolved, we did not incur any material warranty expense or make any provision for such warranty expense during the Track Record Period.

RAW MATERIALS AND PROCUREMENT

We procure a diversified range of raw materials primarily including (i) semiconductor chips, (ii) optical components, (iii) metallic materials, and (iv) other electronic components for the production of our products.

Our Key Raw Materials

Key raw materials and components specific to the requirements of each of our core business segments include:

- *Optical Interconnect Business.* Our optical interconnect business sources critical materials that enable our silicon photonics integration and next-generation optical module development. Primary materials include semiconductor chips (including self-developed silicon photonics chips), PCB, high-speed optical components (lenses, fiber couplers, wavelength selective components), advanced PCB, electronic components, and precision mechanical components.
- *Intelligent Sensing Business.* Our intelligent sensing business sources materials for our sensor and thermal management products. Primary materials include nanoscale chemical raw materials, metallic materials (including copper and specialty alloys), electronic components, encapsulation materials, and advanced materials for specific sensor applications.

BUSINESS

- *Intelligent Manufacturing Business.* Our intelligent manufacturing business procures specialized laser and control components that support our market-leading laser processing capabilities. Primary materials include laser sources (fiber lasers, semiconductor lasers), optical components, CNC control systems, mechanical structural components, and robotic systems.

Supply chain stability management

We implement a comprehensive supply chain risk management framework addressing material availability, supplier reliability, and cost stability:

- *Strategic Supplier Partnerships and Vertical Integration.* We maintain long-term strategic partnerships with core suppliers for critical materials, implemented through framework agreements, joint R&D initiatives, and regular business reviews. For certain products, we adopt a vertically integrated model and rely on self-developed upstream suppliers, which ensures technological alignment, enhances supply security, and reduces overall product costs.
- *Supply Diversification.* We implement a multi-supplier strategy for critical materials, maintaining primary and backup supplier relationships to reduce single supplier dependency risks. For materials with extended lead times, we maintain a stock buffer covering approximately one to three months of anticipated demand, which is reviewed and adjusted based on market conditions and supplier reliability.
- *Domestic Substitutes.* We actively pursue domestic sourcing of imported materials, particularly in optical components (for the optical modules and connectivity solutions segment) and laser chips (for the laser processing equipment and intelligent manufacturing segment), to reduce exposure to any international trade disruptions.

OUR SUPPLIERS

Supplier Selection and Management

We have established stringent management mechanisms for the selection and retention of suppliers. In accordance with the supplier management policy, we conduct due diligence and select suppliers based on the availability, price and quality of the services or products, delivery time, as well as the reputation, credential and experience of the suppliers. Supplier qualifications are assessed through factory audits and sample testing. Companies in the qualified supplier list are subject to regular evaluation and re-assessment, in order to ensure their compliance with our policies and standards.

Our procurement methods include requests for quotation and agreements, and we select suitable suppliers from the qualified supplier pool based on the nature of the raw materials. For standardized components, procurement is primarily based on factors such as the quality, price, and delivery time of the raw materials. For custom components, we design the parts independently and select suppliers based on their technical expertise, processing capabilities and quotations.

In response to potential raw material price increases, we primarily mitigate the impact by building long-term relationships with our suppliers, maintaining close communication and conducting secondary source evaluations. Meanwhile, we conduct R&D on new materials and engage new suppliers to maintain the flexibility to switch to alternative materials or suppliers in the event of severe shortages or price volatility of certain raw materials. We have implemented periodic reviews and internal mechanisms to monitor the price of our raw materials by considering current stock levels, future sales and market trends.

BUSINESS

We require all of our suppliers to comply with our internal supply management policies. We communicate with suppliers regarding quality standards, and thoroughly inspect the products received to ensure that they meet all the technical requirements set forth in our product designs. We may conduct regular or ad hoc on-site inspections of suppliers, and require suppliers to remedy quality issues upon notice. Upon receiving materials and products from suppliers, we retain the right to reject or return based on our inspection and examination results, and suppliers are generally liable to us and our customers for any product quality issues of our products caused by them. We also require our suppliers to sign an “Anti-Bribery Agreement,” by which they undertake in writing to comply with the ethical requirements set out in the agreement.

Our Directors confirm that our Group did not experience any material disruption, disputes or delay in relation to supply by our suppliers during the Track Record Period and up to the Latest Practicable Date.

Principal Contractual Terms with Suppliers

The salient terms of the supply agreements between us and our suppliers are summarized below by business segment.

Optical Interconnect Business

- *Product Specification.* We specify the product name, specification, price, quantity, delivery timeline, delivery location and other details in each purchase order we send to our suppliers.
- *Price.* The prices quoted to us shall be based on market conditions and stated in the purchase orders prevail.
- *Payment and Credit Term.* Payment and credit terms are typically included in each order that we place with the supplier. The typical credit terms offered by our suppliers range from 30 days to 120 days.
- *Logistics.* The suppliers are responsible for packaging and shall ensure that the packaging is suitable for long-distance transportation. The suppliers normally assume the logistic and transportation costs associated with the procurement of materials.
- *Quality Guarantee.* Products are typically accepted in accordance with our specifications, as well as national, local and industry standards. We are entitled to return any defective raw materials that do not meet the specifications and the suppliers shall remedy the same, including product return and replacement.

Intelligent Sensing Business

- *Product Specification.* We specify the product name, specification, price, quantity, delivery timeline, delivery location and other details in each purchase order we send to our suppliers. Product drawings and specifications are determined by us and communicated to the suppliers. Suppliers are not permitted to make any alterations to the specifications without our prior written approval.
- *Price.* The prices quoted to us shall be based on market conditions and stated in the purchase orders prevail.

BUSINESS

- *Payment and Credit Term.* Payment and credit terms are typically included in each order that we place with the supplier. The standard credit term for our suppliers in this segment is monthly settlement at 90 days.
- *Logistics.* We operate two supply models with our suppliers: (i) a consignment model, under which we obtain ownership of the materials upon requisition for use in production; and (ii) a non-consignment model, under which we obtain ownership upon receipt at our warehouse. Under both models, transportation risks and primary transportation costs are borne by the suppliers.
- *Quality Guarantee.* Suppliers are required to comply with our quality management system and warrant that the goods delivered are free from defects in materials, workmanship and processing. We are entitled to return any defective raw materials that do not meet the specifications and the suppliers shall remedy the same, including product return and replacement.

Intelligent Manufacturing Business

- *Product Specification.* We specify the product name, specification, price, quantity, expected delivery date, delivery location and other details in each purchase order we send to our suppliers.
- *Price.* Pricing is determined through a combination of tiered pricing, annual negotiations, per-order quotations and rebate mechanisms, which stated in the purchase orders prevail.
- *Payment and Credit Term.* Payment and credit terms are typically included in each order that we place with the supplier. The typical credit terms offered by our suppliers range from 30 days to 180 days.
- *Logistics.* The suppliers are responsible for packaging and shall ensure that the packaging is suitable for long-distance transportation. The suppliers normally assume the logistic and transportation costs associated with the procurement of materials.
- *Quality Guarantee.* Products are typically accepted in accordance with our specifications, as well as national, local and industry standards. We are entitled to return any defective raw materials that do not meet the specifications and the suppliers shall remedy the same, including product return and replacement.

Our Major Suppliers

During the Track Record Period, purchases from our five largest suppliers in each period amounted to RMB1,670.9 million, RMB2,602.4 million, and RMB4,289.1 million, respectively, representing 17.0%, 22.7%, and 30.7% of our total purchases, respectively.

All of our five largest suppliers were Independent Third Parties during the Track Record Period. None of our Directors and their respective associates or our Shareholders who hold more than 5% of our total issued Shares had any interest in our five largest suppliers during the Track Record Period. Additionally, we did not experience any material disputes with our suppliers during the Track Record Period.

BUSINESS

The following table sets forth the details of our five largest suppliers in each year during the Track Record Period:

For the year ended December 31, 2023:

Ranking	Supplier	Background	Product purchased	Purchase amount	% of total purchase amount of our Group	Year of commencement of business relationship with our Group	Credit term
				RMB'000	%		
1	Customer/Supplier Group A	A global leading provider of ICT solutions, covering ICT infrastructure, smart devices, cloud computing, digital power, intelligent vehicle solutions and related R&D, manufacturing and marketing services.	Chips	845,918	8.6	2004	30 days
2	Supplier B	An enterprise principally engaged in the R&D and manufacturing of automotive electronic control systems, smart vehicle components, and thermal management solutions for NEVs.	Control boards, IGBTs	217,494	2.2	2018	60 days
3	Supplier C	An automotive electronics service provider principally engaged in engineering R&D, testing and validation, and technical services for NEVs.	Control boards, IGBTs	216,674	2.2	2017	30 days
4	Supplier D	An enterprise principally engaged in the R&D, production, and sales of fiber lasers and their core components.	Laser equipment	205,555	2.1	2007	60 days
5	Supplier E	An enterprise principally engaged in the manufacturing and processing of electronic wires, cables, wiring harnesses, and injection-molded components	Wires, injection-molded parts, PVC tubes	185,209	1.9	2018	90 days

BUSINESS

For the year ended December 31, 2024:

Ranking	Supplier	Background	Product purchased	Purchase amount RMB'000	% of total purchase amount of our Group %	Year of commencement of business relationship with our Group	Credit term
1	Customer/Supplier Group A	A global leading provider of ICT solutions, covering ICT infrastructure, smart devices, cloud computing, digital power, intelligent vehicle solutions and related R&D, manufacturing and marketing services.	Chips	1,490,603	13.0	2004	30 days
2	Supplier C	An automotive electronics service provider principally engaged in engineering R&D, testing and validation, and technical services for NEVs.	Control boards	339,141	3.0	2017	30 days
3	Supplier E	An enterprise principally engaged in the manufacturing and processing of electronic wires, cables, wiring harnesses, and injection-molded components	Electrical components	304,452	2.7	2018	90 days
4	Supplier F	An enterprise principally engaged in electronic component distribution, technical support services, and providing comprehensive application solutions.	Chips	258,236	2.3	2015	30 days
5	Supplier G	An enterprise principally engaged in the distribution and sales of electronic components for communications, IT, industrial control, and automotive applications.	Chips	209,929	1.7	2016	30 days

BUSINESS

For the year ended December 31, 2025:

Ranking	Supplier	Background	Product purchased	Purchase amount RMB'000	% of total purchase amount of our Group %	Year of commencement of business relationship with our Group	Credit term
1	Customer/Supplier Group A	A global leading provider of ICT solutions, covering ICT infrastructure, smart devices, cloud computing, digital power, intelligent vehicle solutions and related R&D, manufacturing and marketing services.	Chips	2,309,587	16.6	2004	30 days
2	Supplier G	An enterprise principally engaged in the distribution and sales of electronic components for communications, IT, industrial control, and automotive applications.	Chips	898,936	6.4	2016	30 days
3	Supplier F	An enterprise principally engaged in electronic component distribution, technical support services, and providing comprehensive application solutions.	Chips	439,701	3.2	2015	30 days
4	Supplier E	An enterprise principally engaged in the manufacturing and processing of electronic wires, cables, wiring harnesses, and injection-molded components	Electrical components	361,637	2.6	2018	90 days
5	Supplier C	An automotive electronics service provider principally engaged in engineering R&D, testing and validation, and technical services for NEVs.	Control boards	279,244	1.9	2017	30 days

BUSINESS

SUPPLIER-CUSTOMER OVERLAP

Customer/Supplier Group A, one of our top five suppliers in 2023, 2024 and 2025, was also one of our top five customers in the same years. Customer/Supplier Group A is a multinational conglomerate engaged in providing ICT solutions.

As a leading conglomerate in the ICT industry with diverse business needs, Customer/Supplier Group A purchases various types of our optical modules, including network terminals and home terminals.

We purchase from various entities of Customer/Supplier Group A. For example, a wholly-owned subsidiary of Customer/Supplier Group A is a leading industry player in China, providing particularly optical components, which we use as raw materials for the production of optical modules that are typically sold to other companies in China. The purchase from the leading player in such market was inevitable in the production of optical modules.

In addition, a small portion of our purchases from Customer/Supplier Group A are from its parent company, including various electronic components; we use these electronic components to produce home terminals and network terminals, which are typically sold to Customer/Supplier Group A.

During the Track Record Period, our sales to and purchases from Customer/Supplier Group A were conducted in the ordinary course of business and on commercial terms negotiated on an arm's length basis. The raw materials we purchased from the overlapping customers or suppliers mentioned above were not resold back to them, nor vice versa.

According to Frost & Sullivan, the transactions above are in line with industry practice for a company to have both sales to and purchases from the same customer/supplier in the optical module industry.

RESEARCH AND DEVELOPMENT

Continuous research and development is the backbone of our business operation. We are committed to developing new technologies, designing new products and upgrading existing product offerings to augment our leading market position and we recognize that comprehensive support from research and development is crucial to achieve this goal. In 2023, 2024 and 2025, our R&D investments amounted to RMB802.3 million, RMB992.7 million, and RMB1,091.6 million respectively, accounting for 7.8%, 8.5%, and 7.6% of our total revenue in the same years, respectively.

Our R&D Team and R&D Center

We have built a dedicated and experienced R&D team. As of December 31, 2025, our R&D team consisted of 2,698 employees, accounting for 28.5% of the total workforce. Among them, 790 employees held a master's degree or above primarily in majors such as telecommunications, computer science, automation, physics, materials science, mechanical engineering, and optoelectronics.

BUSINESS

As of the Latest Practicable Date, our HG Technology Central Research Institute comprises a number of specialized research centers dedicated to advancing our technological innovation capabilities and strengthening our competitive advantages across core business segments:

The information communication and intelligent internet of vehicles technology research center focuses on optoelectronic devices utilized in information communication, vehicle-to-everything communication, wireless communication, satellite communication and quantum information technology. It addresses and breaks through core technical bottlenecks in optics, electronics, materials and algorithms, and develops core key technologies and products including silicon-based material devices, silicon photonic chips, transmission modules, gateways, antennas and laser projection systems. This center enhances our R&D efficiency in information communication, fosters an innovation ecosystem for optoelectronic communication, and aims to establish a world-class optoelectronic information research platform.

The laser and intelligent manufacturing technology research center focuses on application requirements for next-generation industrial laser light sources. It addresses common key technologies in advanced laser manufacturing and core component development, promotes the engineering, intelligentization and industrialization of high-end laser equipment, and is committed to building a world-class public research platform for laser intelligent manufacturing.

The sensing technology research center centers on achieving “industry leadership and world premiere” for core components in the “perception layer”. It conducts breakthroughs in key and common technologies aligned with the future development directions of sensors, including high precision, high voltage, miniaturization, flexibility, intelligence and wireless transmission. Furthermore, it drives innovations across full-scenario thermal management needs, ranging from air PTC and coolant PTC heaters to comprehensive system integration.

The software research center focuses on requirements for next-generation industrial software. It addresses core technologies in industrial vision, industrial algorithms, industrial automation, AI and industrial big data, enhances our software technology R&D efficiency, fosters an innovation ecosystem for software development, and strives to establish a world-class industrial software research platform.

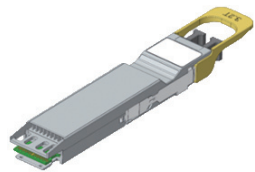
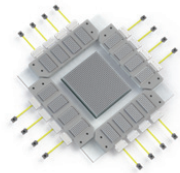
Our Technologies and R&D Focus

We have established a two-tier project management system encompassing the Central Research Institute and subsidiaries, along with a four-tier project classification system covering government R&D projects, HG Technology Central Research Institute projects, specialized and innovative R&D projects, and product line R&D projects. This framework prioritizes resource allocation for key initiatives, including over 10 major government R&D projects, more than 20 HG Technology Central Research Institute projects, over 20 specialized and innovative R&D projects, and over 60 product line R&D projects.

BUSINESS

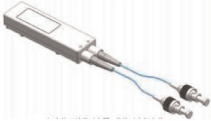
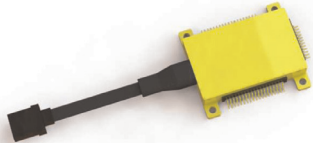
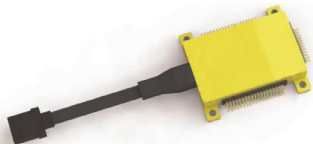
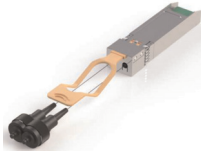
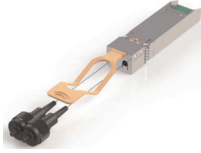
Optical Interconnect Business

We have developed a suite of next-generation optical interconnect technologies spanning silicon photonics chips, high-speed electrical and optical components, ultra high-speed optical modules, and network systems, designed to address the AI computing infrastructure, 6G/6G-A, and F6G-A networks that form the technical backbone of our optical interconnect business. Our optical interconnect business is built on four core technology lines that underpin our competitive edge: high-speed optical connectivity enabling ultra-high-bandwidth data transmission for data center and telecom applications, high-speed copper connectivity delivering cost-effective, robust short- and medium-reach electrical interconnections, high-efficiency liquid cooling thermal management addressing the thermal challenges of high-power components to ensure performance stability, and optoelectronic integration driving miniaturization, power efficiency and cost reduction through co-design and co-packaging of optical and electronic components. Set out below is a summary of our core product development focus in the optical interconnect technologies.

Products/Technologies	Key Attributes	Pictures
3.2T FRO	3.2T speed, DSP digital processing technology, transmission distance 500m	
6.4T NPO	6.4T speed, liquid cooling design, near-packaged optics, transmission distance 500m	
6.4T CPO	6.4T speed, liquid cooling design, co-packaged optics, transmission distance 500m	
12.8T XPO	12.8T speed, 64-channel design	

BUSINESS

Meanwhile, we are actively expanding into new growth segments in the vehicle-mounted optical communications sectors, with the development of related technologies and products progressing rapidly.

Products/Technologies	Key Attributes	Pictures
10G aerospace optical module	Supports DWDM technology, radiation-resistant design, with 10km inter-satellite transmission distance	
40G aerospace optical module	40G data rate, radiation-resistant design, with 100m intra-satellite transmission distance	
100G aerospace optical module . . .	100G data rate, radiation-resistant design, with 100m intra-satellite transmission distance	
1G automotive optical module . . .	Automotive-grade compliant, 1G data rate, with 100m transmission distance	
10G automotive optical module . . .	Automotive-grade compliant, 10G data rate, with 100m transmission distance	

Intelligent Sensing Business

Leveraging our full-chain core technologies spanning “materials — chips — devices — systems”, we lead the evolution of sensing technology from single-function sensing to multi-dimensional integrated intelligent sensing, and provide globally leading sensor and thermal management system solutions for smart home, new energy and intelligent connected vehicles, and smart energy.

We have actively deployed MEMS (Micro-Electro-Mechanical Systems) sensor technologies to further break through the boundaries of physical world perception. Moving toward the cutting-edge trends of miniaturization, integration and intelligence, we provide core sensing components with higher precision, lower power consumption and smaller sizes for future scenarios such as embodied intelligence and the low-altitude economy, building the sensing infrastructure for the age of intelligent interconnection.

BUSINESS

Products/ Technologies	Pictures	Core Characteristics	Application Scenarios	Advantages
MEMS MOX AQS Gas Sensor		Adopting MEMS MOX technology with PWM or LIN communication; outputting air quality grade; featuring long service life, low drift and fast response	Applied to air inlets of automotive air conditioners for automatic switching between internal and external circulation, improving in-vehicle air quality	Independently developed chips and gas-sensitive materials; proprietary baseline drift algorithm; low drift, long service life and strong anti-interference performance; high manufacturability and cost advantages
MEMS MOX TVOC Gas Sensor		Based on MEMS MOX principle for volatile organic compound detection; integrated with micro thermal platform and sensitive electrodes; supporting multi-gas identification	Air quality monitoring in smart home scenarios including refrigerators, air conditioners and kitchens	Chip-level independent design; miniaturization, low power consumption and high sensitivity
MEMS Pressure Sensor		● Ultra-miniaturization: Chip size is mostly at millimeter level (e.g., 2×2×1mm), easy to embed in various narrow installation spaces, greatly improving the design flexibility of terminal equipment ● High precision & fast response: Measurement accuracy up to 0.01% FS, resolution down to Pa level, response time less than 1ms ● Low power consumption & long service life: Operating current at μA level, mean time between failures over 1,000,000 hours ● Wide measuring range & environmental adaptability: Broad measuring range from Pa-level micro pressure to MPa-level pressure; operating temperature range of -40°C–125°C; IP68 dust and water proof rating; adaptable to harsh working environments such as high/low temperature, humidity, dust, automobile exhaust and oil corrosion ● High integration: Single chip integrating sensing unit and signal conditioning ASIC, directly supporting digital output and bus communication	● Automotive electronics: Intake manifold absolute pressure monitoring, tire pressure monitoring system, fuel vapor pressure control, brake system pressure monitoring, transmission oil pressure monitoring, etc. ● Consumer electronics & wearables: Air pressure and ambient pressure monitoring for smart phones, smart watches, TWS earphones and sports bracelets ● Medical health: Pressure monitoring/control equipment such as electronic sphygmomanometers, ventilator airway pressure monitors, infusion pumps and invasive physiological pressure measurement devices ● Industrial automation: Pressure monitoring for heating, ventilation, and air conditioning systems, pneumatic equipment and hydraulic systems ● Aerospace & IoT: UAV altimeters, satellite cabin pressure monitoring, meteorological station pressure collection, smart agricultural irrigation system pressure control, etc.	Integration and interconnection; performance and reliability; design flexibility; cost

BUSINESS

Intelligent Manufacturing Business

We have developed a comprehensive intelligent manufacturing technology stack spanning optical and mechanical components, laser processing equipment systems, and advanced factory integration capabilities. Our technological leadership is anchored in pioneering breakthroughs in critical laser processing technologies for high-value applications including automotive body-in-white laser welding, three-dimensional five-axis laser cutting, and advanced composite machining. Set out below is a summary of our laser technologies, the principal application scenarios, and the competitive advantages that differentiate us in the market.

Technologies	Key Attributes	Application Scenarios	Advantages
Laser Composite Material Processing	Centered on laser composite processing, featuring domesticated equipment, complete set integration and process unification, covering multiple processing steps	Addresses lightweight composite material demands, applied to high-precision processing scenarios in aerospace, NEVs and other fields	Self-developed intelligent laser processing equipment, providing end-to-end solutions and achieving full industrial chain autonomy and controllability
Laser 3D Printing	Adopts additive manufacturing principles, enabling rapid prototyping of complex structural components while balancing high precision and material diversity	Penetrates multiple industries: manufacturing turbine blades in aerospace, custom implants in healthcare, and molds in automotive; applied in various fields such as 3C electronics, AI communications, humanoid robots and low-altitude aircraft	Equipped with the capability to optimize and integrate key elements across the entire industrial chain from lasers, optical system technologies, laser control technologies, additive manufacturing equipment to automated additive equipment
Laser Additive + Milling Composite Processing	Enables intelligent alternating and synchronous collaborative manufacturing of laser additive and precision milling in a single setup on one equipment	Applied in commercial aviation to manufacture components with complex internal channels, thin walls and free-form surfaces	Centered on laser technology and integrated with multi-dimensional technologies, delivering high-end manufacturing system solutions and improving operational efficiency
Water-guided Laser Processing	Couples high-energy pulsed lasers with fine water jets, utilizing total internal reflection to achieve low-damage, high aspect ratio processing	Used for precision hole drilling in aerospace, semiconductor dicing, and micro-structure fabrication in medical devices	Leverages technical cooperation with Swiss partners for quality advantages; features high equipment stability and customized process solutions
Laser Welding of Dissimilar Materials	Features controllable energy, high accessibility, efficiency and reliability, capable of replacing traditional riveting and adhesive bonding processes	Primarily applied to lightweight manufacturing scenarios in rail transit, aerospace and NEVs	Matured through over 10 years of industry-university-research collaboration, with stable equipment performance to meet high-end manufacturing requirements

BUSINESS

Technologies	Key Attributes	Application Scenarios	Advantages
• Large-area flying sealing welding process control with weld seam less than 0.2mm • Coaxial gas blowing control enabling completely oxidation-free welding • Third-generation flexible pressing fixture with welding deformation not exceeding 1mm • Fully automatic integration from loading, welding, air tightness testing, marking to sorting and unloading • Exclusive customized flow field spot welding process enabling efficient production while improving welding stability by 50%	• Through fixture and process optimization, the first-pass yield of the production line exceeds 98% • Flying welding combined with fixture control for precise weld depth control of $\pm 0.01\text{mm}$ • Unique code for each unit with 100% air tightness testing • Compatible with different sizes and materials simultaneously • Third-generation product with over 50 patents	Mass welding production of metal bipolar plates for hydrogen fuel cells	• Industry-leading welding performance with 98% yield and complete oxidation-free welding • High product integration with 30% reduction in occupied space • Process compatible with welding of stainless steel and titanium bipolar plates • High equipment standardization with commissioning period of 1 month

INTELLECTUAL PROPERTY

Our patents, copyrights, trademarks, domain names, know-how, proprietary technologies, trade secrets and other intellectual property rights are critical to our business operations. As of the Latest Practicable Date, we had 2,234 granted patents in China and overseas, including 561 invention patents, 1,457 utility model patents, and 216 design patents. As of the Latest Practicable Date, we had registered 923 software copyrights.

We acquire patents through self-development. During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not been subject to any material intellectual property claims which could have a material adverse effect on our business or operations. For further details our portfolio of material intellectual property rights as of the Latest Practicable Date, please see “Appendix VI — Statutory and General Information — B. Further Information about our Business — Intellectual Property Rights.”

COMPETITION

According to Frost & Sullivan, the industries we operate exhibit differentiated competition landscapes, with varying concentration levels across its sub-segments. In 2025, the top six specialized optical interconnect product suppliers which produce optical interconnect products primarily for external sales globally collectively accounted for 64.9% of the market share. China’s sensor market size grew from RMB320.1 billion in 2021 to RMB427.0 billion in 2025, with a CAGR of 7.5% during this period. In 2025, it accounted for approximately 24.0% of the global market. The market size of China’s NEV thermal management system has grown from RMB24.6 billion in 2021 to RMB123.8 billion in 2025, representing a remarkable CAGR of 49.8% during this period. From 2021 to 2025, the market size of China’s laser equipment industry maintained continuous growth, rising steadily from RMB82.5 billion to RMB92.6 billion. According to Frost & Sullivan, we are one of the leading integrated players in the industry, with leading market positions across our core business segments: we were the sixth largest specialized optical interconnect product manufacturer globally, third largest Chinese sensor manufacturer in China, and the second largest laser equipment manufacturer, in terms of revenue in 2025. We believe that our competitive position is underpinned by our strengths, including our leading market position across core segments, exceptional R&D capabilities and technologies, production capacity and supply

BUSINESS

management expertise, high-quality and stable customer base, and experienced management team. We believe that there are high barriers for new entrants to enter into the market, which include, among other things, technology, large-scale production experience, capital investment, supply chain integration and established customer base. For details of our competitive landscape, see “Industry Overview.”

LOGISTICS AND INVENTORY MANAGEMENT

Logistics

We engage qualified third-party logistics service providers for the delivery of finished products from our warehouse to locations specified by our customers. We set strict standards for the transportation of our products that these third-party logistics service providers are required to follow to ensure smooth delivery of products to customers. Through ongoing enhancements, we are consistently improving delivery timeliness, accuracy and customer satisfaction while achieving cost reductions. To the best of our knowledge, all of these logistics service providers are Independent Third Parties.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay or inappropriate handling of goods that materially and adversely affected our business operations.

Inventory Management

Our inventories mainly include raw materials, work-in-progress, semi-finished and finished products.

We focus on optimizing our inventory management and actively monitor our inventory levels based on the amount requested by our customers, as supplemented by safety stock. For standardized components and basic materials, we maintain a reasonable inventory level and update our inventory plan regularly based on factors such as estimated consumption, product demand and prevailing market prices for the relevant raw materials and components. For custom components, we place purchase orders for raw materials and components upon signing sales contracts with the customer and based on our production plans.

In addition, we track and monitor the flow of goods and inventory levels through our ERP system. We also retest products to ensure that they are still suitable for their intended use after reaching their designated storage period.

BUSINESS

QUALITY CONTROL

We have comprehensive policies and detailed procedures in place to ensure product quality. We have deployed multiple quality management systems and received various certification including IATF16949. We have established a dedicated quality control department, which is led by our management team, to closely monitor our production process. We have strengthened standardized production and quality management training, engaging all staff in quality assurance initiatives to minimize the risk of quality control issues. We have developed a full lifecycle quality control system covering product R&D, supply chain, production process and customer service, ensuring that all products are produced and assembled adhering to the standards and quality required by our customers.

Our quality control measures include the following:

- ***Product R&D Quality Control:*** We use an integrated product development model, leverage the research outcomes driven by the technical needs of various niche scenarios, and adopt advanced product quality plans to prevent design defects and quality issues during the R&D phase. We have designated personnel responsible for supervising and inspecting the integrity of the R&D process and the quality of deliverables at each project stage.
- ***Supply Chain Quality Control:*** We carefully select qualified suppliers based on the quality and technical standards of raw materials. We selectively procure raw materials from qualified suppliers and conduct rigorous inspections to ensure that the quality of raw materials is suitable for production.
- ***Production Process Quality Control:*** We strictly adhere to process standards in production to minimize deviations from agreed product specifications, and we take timely measures to address any related issues arise during production. We also supervise and inspect each production process.
- ***Customer Service:*** We have established a global marketing and service network, providing localized technical support and after-sales service throughout the product life cycle. We have also established a customer complaint handling procedure to promptly address customer complaints and actively solicit customer feedback.

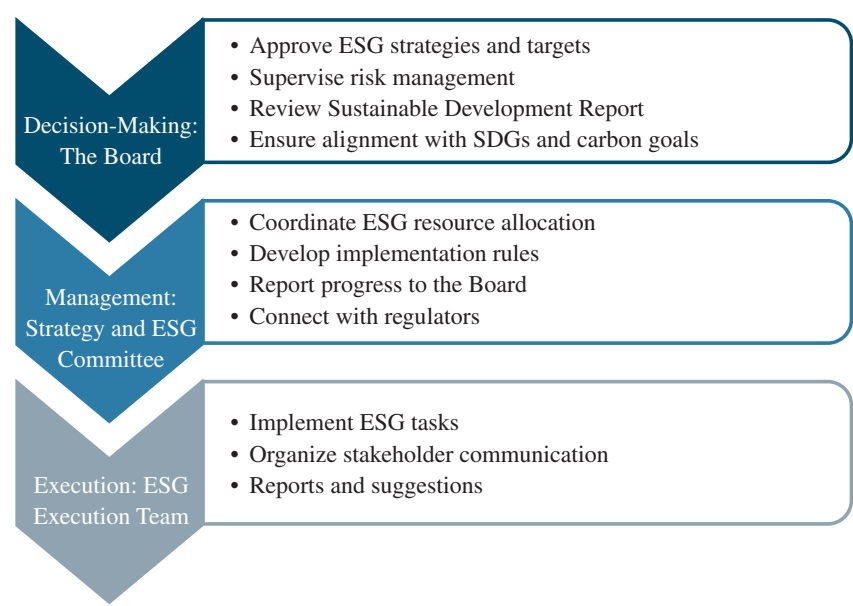
BUSINESS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We place significant emphasis on environmental, social and governance (“ESG”). We commit to embedding social responsibility and sustainable approaches into our core business processes, recognizing these principles as essential to our growth strategy and the lasting value we deliver to our shareholders.

ESG Governance Structure

Our Group have established a top-down ESG governance framework to ensure the effective implementation and oversight of our sustainable development strategy. By constructing a three-tiered ESG governance structure — “decision-making level — management level — execution level” — we have clearly defined the responsibilities and roles of each level in ESG work.



To uphold transparency and accountability in ESG governance, our Group’s ESG Committee convenes annually, with each session focusing on core ESG issues aligned with the Group’s business operations across connectivity, sensing, and intelligent manufacturing such as climate change risk management, supply chain sustainability, and multi-stakeholder engagement. The ESG Committee presents regular reports on ESG performance and progress to the Board of Directors, which accepts formal review during the Board’s dedicated ESG oversight sessions. Following our Group’s [REDACTED], our Group will publish an annual ESG Report to conduct systematic communication with all stakeholders on our Group’s ESG practices, performance and strategic initiatives.

BUSINESS

Risk Management

Our Group places high importance on internal control construction and risk management. In accordance with the “Basic Standards for Enterprise Internal Control,” the Company has established a scientifically designed and effectively operating internal control system, integrating risk management into every aspect of operations and management. The Audit Committee and internal audit department jointly form the Company’s risk and internal control management organisational structure, covering environmental control, business control, electronic information system control, and internal audit control.

Anti-Bribery and Anti-Corruption

Our Group consistently regards anti-bribery and anti-corruption work as fundamental to its compliant operations. Management teams across the Group and its subsidiaries sign executive compliance commitments annually and conduct compliance oath-taking ceremonies to publicly demonstrate their compliance stance. Employees are prohibited from engaging in commercial bribery and corrupt practices in any form, including but not limited to directly or indirectly giving or accepting cash, gifts, marketable securities, physical goods, kickbacks, travel and entertainment expenses, or non-pecuniary benefits.

The Group publishes its reporting hotline and email address through public channels, and issues integrity proposals during major festivals. Anti-bribery and anti-corruption clauses are embedded in all supplier cooperation agreements, with integrity reminder communications sent quarterly to ensure both parties jointly abide by the code of business conduct. In 2025, the Group trained over 2,500 participants through “Business-Law Workshops” and compliance training sessions.

SOCIAL MATTERS

Labour Practices

Our Group recognises that human capital is the core driver of our long-term sustainable growth and technological innovation. We attach great importance to scientific and standardised human resource management, and we clearly understand that robust employment practices and a supportive talent environment are crucial to attracting, retaining, and developing high-quality talents in the industry.

BUSINESS

We are committed to fostering a fair, inclusive, and innovative workplace, ensuring equal opportunities for all employees regardless of their positions. To effectively safeguard the rights and interests of every employee, we have formulated and implemented a series of human resource policies, covering recruitment, promotion, compensation, termination, equal opportunity, diversity and inclusion, anti-discrimination, as well as working hour management and rest arrangements tailored to the characteristics of related positions. We strive to ensure that all employment decisions-including hiring, salary adjustment, technical training, skill improvement, and career advancement-are made in a fair, transparent, and merit-based manner, without any discrimination based on age, gender, physical or mental health, marital status, race, nationality, or other personal attributes irrelevant to job competence. The following tables sets out the number of employees of our Group by gender, age group and function during the Track Record Period.

Work force		2025	2024	2023
Total		9,462	8,823	8,179
By gender	Male	63.4%	63.7%	63%
	Female	36.6%	36.3%	37%
By age group	Below 30	28.3%	29%	28.3%
	30-50	69.1%	65.5%	64.5%
	Over 50	2.6%	5.5%	7.2%
By Personnel Type	Production personnel	4,740	4,311	3,946
	Sales staff	1,051	1,141	1,206
	Financial staff	128	105	97
	Technician	2,698	2,483	2,176
	Administrative personnel	845	783	754

Employee training

Our Group regards employee development and training as a core measure to enhance organizational competitiveness and ensure sustainable business development. We focus on improving the knowledge, skills, and professional qualities required for employees to perform their duties and have built a multi-dimensional training system covering professional skills, compliance management, safety and health, and sustainable development, ensuring that training activities are deeply aligned with company strategy, business needs, and employee personal growth.

Training activities are organised and implemented irregularly according to business needs, covering all employees. The training content is rich and diverse, including basic compliance training such as environmental protection education, fire safety education, and natural disaster education, as well as specialised skills training such as machinery injury prevention, workplace injury prevention, sustainable development and labor compliance, carbon management, and carbon accounting. We also design differentiated training modules for different job levels to help employees comprehensively improve their overall capabilities. Our Group has established a sound training organization and supervision mechanism, with relevant departments coordinating the development, implementation, and effectiveness tracking of training plans to ensure that training is effective.

BUSINESS

ENVIRONMENT MATTERS

Environmental Policy

Our Group has established a comprehensive Environmental Policy to enhance its efforts on environmental protection and foster a sustainable future that contributes to the social and economic improvement of society. As a leading global high-tech enterprise group spanning connectivity, sensing, and intelligent manufacturing, HGTECH recognises that environmental stewardship is essential to long-term business success and corporate responsibility. The Environmental Policy outlines strategies and actions for effective environmental management across our product design, manufacturing processes, supply chain operations, and global facilities, including:

- Pollution reduction and prevention
- Energy and natural resource conservation
- Continuous improvement of environmental management systems
- Strict compliance with laws and regulations
- Proactive stakeholder engagement

Emissions

Our Group is committed to fulfilling its environmental responsibilities and strictly adheres to national and industry-related environmental protection laws and regulations. We have established a comprehensive and systematic emission management system covering air, wastewater, and noise pollution, spanning the entire process of production, operation, and waste disposal. Guided by the company’s Environmental Policy and related management standards, we have clearly defined emission control standards, treatment procedures, and responsible departments for various pollutants, ensuring that all emissions are compliant, controllable, and traceable. The company has obtained all necessary environmental qualifications, and all construction projects have passed environmental acceptance inspections as required, possessing complete and standardised compliance records. To continuously reduce environmental impact, we regularly optimise emission treatment equipment and strengthen daily monitoring and inspection of emission points to ensure that all emission indicators meet or exceed relevant standards.

BUSINESS

The following tables set out the emission data of our Group during the Track Record Period.

Environmental Performance Data	Unit	2025	2024	2023
Waste water discharge	m ³	626,922.50	239,189.00	236,886.00
Waste water discharge intensity — By size of workforce	m ³ per employee	66.36	27.11	28.96
Hazardous waste generated	tons	297	249	229
Hazardous waste generated intensity — By size of workforce	tons per employee	0.03	0.03	0.03
Non-hazardous waste generated	tons	6,027	3,906	2,934
• <i>General industrial solid waste</i>	tons	4,108	2,022	1,011
• <i>Domestic waste</i>	tons	1,919	1,884	1,923
Non-hazardous waste generated intensity — By size of workforce	tons per employee	0.64	0.44	0.36
Hazardous waste generated intensity — By size of workforce	tons per employee	0.03	0.03	0.03

Resource management

Our Group integrates resource conservation into its corporate development strategy. We are committed to optimising the efficiency of energy, water, and raw material utilization, and continuously promoting the green transformation of our production and operations to respond to the national “dual carbon” goals and the requirements of sustainable industrial development. The Group attaches great importance to the rational utilization and scientific management of energy, water, and raw materials throughout the entire process of production, warehousing, and management. We have clarified the resource management responsibilities of each department, vigorously promoted energy-saving and water-saving technologies and processes, and implemented a series of targeted measures to reduce resource consumption and avoid waste.

We have established a comprehensive energy conservation and consumption reduction system, and standardised resource use in high-energy-consuming areas such as production workshops, offices, and warehouses. Specific measures include incorporating energy conservation and consumption reduction into product design, adopting efficient and energy-saving equipment, and building a reclaimed water recycling system to improve water resource recycling efficiency. Our goal is to continuously reduce the resource consumption intensity per unit of output value and achieve coordinated development of business growth and resource conservation.

BUSINESS

The following tables set out the resource consumption data of our Group during the Track Record Period.

Environmental Performance Data	Unit	2025	2024	2023
Energy Consumption				
Total energy consumption	MWh	139,308.27	116,481.20	110,549.08
Direct energy consumption				
Energy of Mobile Fuels (Gasoline)	MWh	170.20	147.50	136.16
Energy of Natural Gas	MWh	5,499.08	5,826.58	4,025.82
Indirect energy consumption				
Purchased electricity	MWh	133,638.99	110,507.12	106,387.10
Total energy consumption intensity	MWh per employee	14.72	13.20	13.52
— By size of workforce				

Natural resources

Our Group fully recognises the potential impact of its business activities on the environment and natural resources and takes a proactive and responsible attitude to manage and mitigate such impacts. We have formulated the Product Environmental Protection Policy and a series of supporting management specifications, including the Noise Emission Management Specification, Sewage Discharge Management Specification, Atmospheric Emission Management Specification and Environmental Pollution Prevention and Supervision Management Procedure, integrating environmental protection concepts into the entire life cycle of product design, production, sales, and after-sales service to promote the coordinated development of business operations and ecological environment protection.

In production, targeted measures are implemented for waste gas, wastewater and noise control: VOCs and welding fumes from potting, soldering and injection molding are treated by UV with activated carbon adsorption and mobile fume extractors, operating 24/7 with regular maintenance ; Wastewater is rain-sewage separated, with domestic sewage treated by septic tanks and chemical cleaning wastewater by professional institutions, then discharged to Tangxunhu Sewage Treatment Plant; Noise equipment is fitted with shock absorption and sound insulation, operators wear earplugs, and 6-7 boundary monitoring points test regularly.

For natural resource utilisation, in line with our environmental policy, we prioritise renewable, recyclable or biodegradable materials, reduce harmful substances to meet RoHS and REACH requirements, optimise product design to improve material utilization, and promote waste equipment recycling. Our goals: 35% average recycled materials in products by 2029 and 100% no harmful substances by 2030.

To address climate change risks, we promote green production, strengthen monitoring of air pollutants, conduct organised waste tests semi-annually and unorganised tests annually, and reduce carbon emissions across the supply chain. We also focus on water resource protection and biodiversity conservation, integrating biodiversity into development strategies, improving water recycling efficiency, and reducing reliance on fresh water to protect water ecological balance.

BUSINESS

Green House Gases Emissions

Our Group’s greenhouse gas (“GHG”) emissions are classified into three core scope categories: (i) Scope 1 includes direct emissions from fuel combustion in the Group’s vehicles; (ii) Scope 2 includes indirect emissions originating from purchased electricity that supports all of our production and business operations; (iii) Scope 3 includes indirect emissions from operational activities such as paper waste disposal, water usage and sewage treatment.

The Group’s GHG emission volumes over the Track Record Period are detailed in the following table.

GHG Emissions	Unit	2025	2024	2023
Total GHG emission	tCO ₂ e	55,670.12	46,164.86	44,141.34
Scope 1	tCO ₂ e	1,138.68	1,198.94	836.28
Scope 2	tCO ₂ e	54,043.61	44,689.08	43,022.94
Scope 3	tCO ₂ e	487.83	276.84	282.12
Total GHG emission — By size of workforce	tCO ₂ e per employee	5.88	5.23	5.40

EMPLOYEES

As of December 31, 2025, we had a total of 9,462 employees and most of our employees were based in the PRC. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2025.

Function	Number of Employees	Percentage (%)
Research and development	2,698	28.5
Sales and marketing	1,051	11.1
Finance	128	1.4
Administration and management	845	8.9
Production	4,740	50.1
Total number of full-time employees	9,462	100.0

Recruitment and Human Resource Management

We highly value the potential of our employees and have invested substantial effort and resources in recruiting and training our employees. Our success hinges on our ability to attract, retain and motivate qualified talent, and we believe that our high-quality and diverse talent pool is one of our core strengths.

We recruit employees through various methods including campus hiring, online recruitment, and external recruitment channels to meet our talent demands across different functions. In addition to regular recruitment programs through specialized recruiting firms and other third parties, we have also implemented an internal referral policy to attract potential talent to join us.

BUSINESS

We offer competitive compensation and benefits to attract and retain top talent. In addition to base salaries, we provide performance-based bonuses, a comprehensive range of allowances, overtime pay, and long-term incentive plans for eligible employees. We also conduct regular performance evaluations and offer merit-based promotions, salary adjustments, and various recognition awards to reward outstanding and long serving employees.

Beyond employee compensation, we provide robust security and health protection benefits, including a housing provident fund, supplemental medical insurance with annual physical check-ups and occupational health screenings. We also offer extensive workplace amenities including cafeteria services, complimentary shuttle bus services, and free access to sports facilities.

Employee Training and Development

We are committed to enhancing employee capabilities through a structured training and development system. Our programs include onboarding training, corporate culture education, professional skills development, leadership training for management, and specialized training for technical personnel. Employees can also enhance their expertise through access to our learning platforms, including online e-learning systems and our proprietary OPE Micro Learning Academy (OPE 微學院), which combines digital and in-person training modalities to support self-learning by employees.

We are dedicated to fostering a learning-oriented organization by providing comprehensive training programs and clear career development pathways for our employees. For management personnel, we have implemented a tiered evaluation system to identify strengths and areas for improvement, feeding into leadership development programs such as the “Executive Power-Up Workshop” (高管充電坊), “Product Line General Manager Boot Camp” (產品線總經理集訓營), and “Sales Mobile Classroom” (銷售移動課堂), which integrate practical business challenges with structured executive education to accelerate leadership capabilities and strengthen our management talent pipeline. These programs integrate practical experience with structured learning to accelerate leadership capabilities and talent pipeline development. For technical employees, we continually refine competency models and learning pathways through our specialized talent development programs, including the “Falcon Plan” (獵鷹計劃) for identifying and accelerating high-potential talent, the “Seedling Plan” (青苗計劃) for cultivating emerging technical talent, and the “Budding Plan” (拔節計劃) for structured career progression.

Employment Contract and Employee Benefits

We enter into standard employment agreements with all full-time employees, sign confidentiality agreements with all currently serving and compensated directors, supervisors, senior management members and core technical personnel, and sign noncompetition agreements with core technical personnels. These agreements typically include confidentiality obligations and noncompetition provisions effective during and after employment.

We established our labor unions in 2,000 and our employees actively participate in union activities, fully enjoying the rights and responsibilities provided by the union. We believe that we maintain good working relationships with our employees, and we have not experienced any material labor disputes, strikes, protests or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and other relevant regulations, we are required to provide our employees with welfare schemes covering social insurance. According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), we are required to make housing provident fund contributions for our employees. During the Track Record Period, we failed to make contributions to the social insurance and housing provident funds in full amount required by the relevant PRC laws and regulations. The primary circumstances included (i) contributions made for certain employees at a base lower than their corresponding average monthly salary in the previous year, and (ii) entrusting third parties to pay social insurance and housing provident fund for a small number of employees.

Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, we may be ordered by the relevant PRC authorities to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment.

Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund contributions as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

During the Track Record Period and up to the Latest Practicable Date, we have not received any notice requiring us to pay any outstanding social insurance and housing provident fund contributions, nor have we been subject to any administrative action or penalty by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions. If the relevant authorities order us to fully contribute the social insurance and/or housing provident funds, we would make full contributions and take rectification measures as soon as possible within the specified period.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that, as advised by our PRC Legal Advisor, based on the relevant regulatory policies and the facts stated above, the likelihood that we would be subject to material administrative penalties due to our failure to provide full social insurance and housing provident fund contributions within the stipulated period for our employees is remote. In addition, according to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, administrative authorities are prohibited from collectively recovering enterprises’ historical social insurance arrears; (ii) during the Track Record Period and up to the Latest Practicable Date, we have not received any notice requiring us to pay any outstanding social insurance and housing provident fund contributions; and (iii) we were not aware of any material labor disputes with respect to social insurance and housing provident fund contribution. As a result, we did not make any provisions in connection with such non-compliances during the Track Record Period and up to the Latest Practicable Date. See “Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds or other PRC labor related regulations may subject us to fines and other legal or administrative sanctions.”

BUSINESS

INSURANCE

Pursuant to PRC social insurance regulations, we provide social insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees based in China.

We also maintain insurance policies to cover various aspects of our business, including commercial general liability insurance, employer’s liability insurance and cargo insurance, to safeguard our business continuity. We regularly review our insurance policies to ensure compliance with statutory requirements. We believe that our existing insurance coverage is adequate for our operations and aligns with industry standards.

During the Track Record Period, we were not subject to any material claim of insurance. However, we may still be exposed to potential claims and liabilities exceeding our insurance coverage. For further details, see “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be insufficient to cover all of our potential losses.”

PROPERTIES

Owned Properties

As of the Latest Practicable Date, most of the properties we owned are in the PRC. Our company and major subsidiaries owned a total of 127 properties, to support our manufacturing, research, and development operations. We have obtained the title certificate for the properties in China.

Leased Properties

As of the Latest Practicable Date, our Company and major subsidiaries leased 122 properties across China, which were mainly used as our R&D centers, factory, office and employee dormitory space. Our leases generally have a term ranging from one year to five years. We are generally allowed to terminate lease agreements with a prior notice, which provides us with operational flexibility. We believe that our current facilities are adequate to meet our current needs.

Pursuant to the applicable PRC laws and regulations, property lease agreements shall be registered with the relevant local branches of the PRC Ministry of Housing and Urban-Rural Development. As of the Latest Practicable Date, for the properties leased by our Company and major subsidiaries, 46 lease agreements had not been registered with relevant authorities as required by applicable PRC laws and regulations. According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As advised by our PRC Legal Advisors, the lack of registration of the lease agreements does not affect the validity of such lease agreements.

Additionally, as of the Latest Practicable Date, we had not received real estate ownership certificates or proof of authorizations from the lessors or the property owners for 12 leased properties in China, which were mainly used as our R&D center and office space. As advised by our PRC Legal Adviser, if the lessor of the leased properties do not have the requisite rights to lease the relevant properties, we would not be subject to any administrative penalties with respect to these properties, but our lease may be affected, and, as a result, we may be required to vacate the relevant properties and relocate. As of the Latest Practicable Date, we were not aware of any challenge made by a third party or competent government authority on the titles of any of these leased properties that might affect our current occupation. We believe that in the event that the relevant rightful title holders or other third parties challenge our use of such leased properties and we are required to relocate, we are able to find

BUSINESS

suitable alternative properties within the proximate area, without incurring substantial additional costs nor imposing any material adverse effect on our business, financial condition and results of operations. For further details, see “Risk Factors — Risks Relating to Our Business and Industry — Our rights to use some of our leased properties could be challenged by third parties due to defects, which may adversely affect our business operations and financial condition.”

AWARDS AND RECOGNITION

During the Track Record Period, our achievements in products and R&D capabilities have been widely acknowledged through various prestigious awards and recognitions. The following table sets out the details of some of the notable awards and recognitions which we have received:

Award/Recognition	Award Year	Awarding Institution/Authority
National “Specialized, Refined, Differential and Innovative” (SRDI) Little Giant Enterprise	2023	Ministry of Industry and Information Technology of the PRC
Top 10 Competitive Optical Components Enterprises in China	2023	Technical Committee on Optical Communication, China Institute of Communications
Our thermoformed 3D five-axis laser cutting equipment has been awarded the title of 8th batch of “National-Level Manufacturing Individual Champion Product”	2024	Ministry of Industry and Information Technology of the PRC
Certificate of “Green Factory” in the 2024 Green Manufacturing List	2024	Ministry of Industry and Information Technology of PRC
Second Prize of the National Science and Technology Progress	2024	The State Council of PRC
First Prize of the China Machinery Industry Science and Technology Award	2025	China Machinery Industry Federation & Chinese Mechanical Engineering Society
Successfully selected into China’s Top 100 Cases of Brand Internationalization Benchmarks	2025	International Academy of Brand Science
Gold Medal of the 50th International Exhibition of Inventions of Geneva . . .	2025	The Swiss Federal Government, the Cantonal Government of Geneva, the Municipal Government of Geneva, and the World Intellectual Property Organization (WIPO)

LICENSES AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant government authorities that are material to our business operations in China and overseas. We are required to renew such certificates, permits and licenses from time-to-time, and we are continually overseeing the compliance with the relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in renewing the licenses, approvals and permits, and currently we do not expect any material difficulties in such renewal.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial conditions.

According to our PRC Legal Advisor, the business operations we engaged in had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

INFORMATION SECURITY AND DATA PRIVACY

We are committed to safeguarding data privacy and information security. We do not publicly collect personal information through our corporate website, and the scope of data collected is limited. In the ordinary course of business, we only collect personal information relating to our employees, customers and key contacts of our suppliers. We ensure that full authorization and consent have been obtained prior to the collection and processing of such personal information.

We safeguard the security of personal information provided to us by users through various technical measures. For example, we implement network isolation and access control between internal databases and operating systems and external service systems, effectively blocking unauthorized access and potential attacks to ensure the independence and security of the core data environment. Meanwhile, we have established a tiered classification and decentralized management mechanism for user data, and implement differentiated access control based on job responsibilities, effectively ensuring data security and compliant usage. In addition, we have established a comprehensive data backup mechanism under which user data and operational data are regularly backed up to backup systems, achieving multi-copy storage and geo-redundant disaster recovery, minimizing the risk of data loss or leakage. In the event of any abnormality or security incident, we will activate the emergency response mechanism on a timely basis, promptly conduct system hardening and security checks, and eliminate potential risks and hidden dangers.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other sanctions for violations of applicable laws and regulations relating to data privacy and security. According to the opinion of our PRC Legal Adviser, we have complied in all material respects with the applicable laws and regulations relating to data privacy and security during the Track Record Period.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness. Our policies and procedures relate to managing our procurement and production, as well as monitoring our sales performance and product quality.

BUSINESS

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see “Directors and Senior Management”;
- adopt policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [REDACTED] in Hong Kong;
- provide trainings periodically to our senior management and employees on professional behavior requirements and ethics standards to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in our employee discipline measures and supervision guidelines;
- enhance our reporting and records system for factories, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;
- establish a set of emergency procedures in the event of major quality-related issues;
- provide enhanced training programs on quality assurance and product safety procedures; and
- distribute employee handbooks to enhance employees’ awareness of complying with laws and regulations.