OVERVIEW

Who We Are

We are an automotive optical technology company. We specialize in providing vehicle camera products comprising sensing and cabin products. We are also expanding our product portfolio into other vehicle optical products including LiDAR, in-cabin projection display and automotive lighting products. Leveraging our integrated R&D platform, global supply chain integration capabilities and an open partnership ecosystem, we facilitate intelligent perception and interaction to enhance the safety and comfort of driving experience.

With more than 20 years of industry experience, we have led many innovations in our field, as demonstrated by the following competitive strengths:

- *First mover in automotive optical products:* we were one of the first movers with dedicated focus on automotive-grade applications and ADAS camera products and have been enabling innovations in optical technologies.

- *Strategic focus and value expansion:* we were one of the few companies in the industry with the capability for independent R&D and large-scale commercialization of a suite of automotive optical products, including vehicle camera products and other vehicle optical products. Drawing on our experience in automotive optical products, we continue to develop and broaden of our product offerings by leveraging our integrated R&D platform and have developed capabilities across a broad spectrum of the product lines, from optical products to product modules and system-wide products.

- *Automotive-grade qualification and expertise:* automotive-grade qualification represents one of the most stringent qualification standards, typically with validation cycles spanning three to five years. Our quality management system is designed to comply with rigorous industry standards across the major regions. In turn, this rigorous qualification process reinforces our industry position and supports our sustained growth.

- *Global partnership ecosystem:* adhering to a customer-centric philosophy, we continuously refine our products and technologies based on customer needs to deliver safe, reliable and advanced products. Supported by our global expanding initiates, we have built brand recognition and relationship across industry worldwide. As of June 30, 2026, we covered 8 out of the top 10 global Tier-1 suppliers and 19 out of the top 20 global OEMs. Our integration into the global automotive value chain allows us to remain well-positioned to respond to industry developments, thereby continuously driving customer success and strengthening long-term partnerships.

- *The No. 1 global market leader:* our market position is demonstrated across multiple categories. According to F&S, our vehicle camera products ranked first globally based on shipment volume in 2025, with a market share approximately equal to the combined market share of the next two players; in the fields of sensing and cabin, we were the world's largest sensing and cabin products provider by shipment volume in 2025; our vehicle lens sets have held the top global market share by shipment volume for 14 consecutive years.

Notes:

(1) Based on shipment volume in 2025, according to F&S.

(2) According to F&S.

(3) According to F&S, as of December 31, 2025.

Our Opportunities

We are well-positioned to capitalize on the next leap in the market, driven by AI-powered revolution in intelligent perception and interaction. Amidst the ongoing global energy transition and rapid advancements in AI technology, substantial market opportunities have emerged:

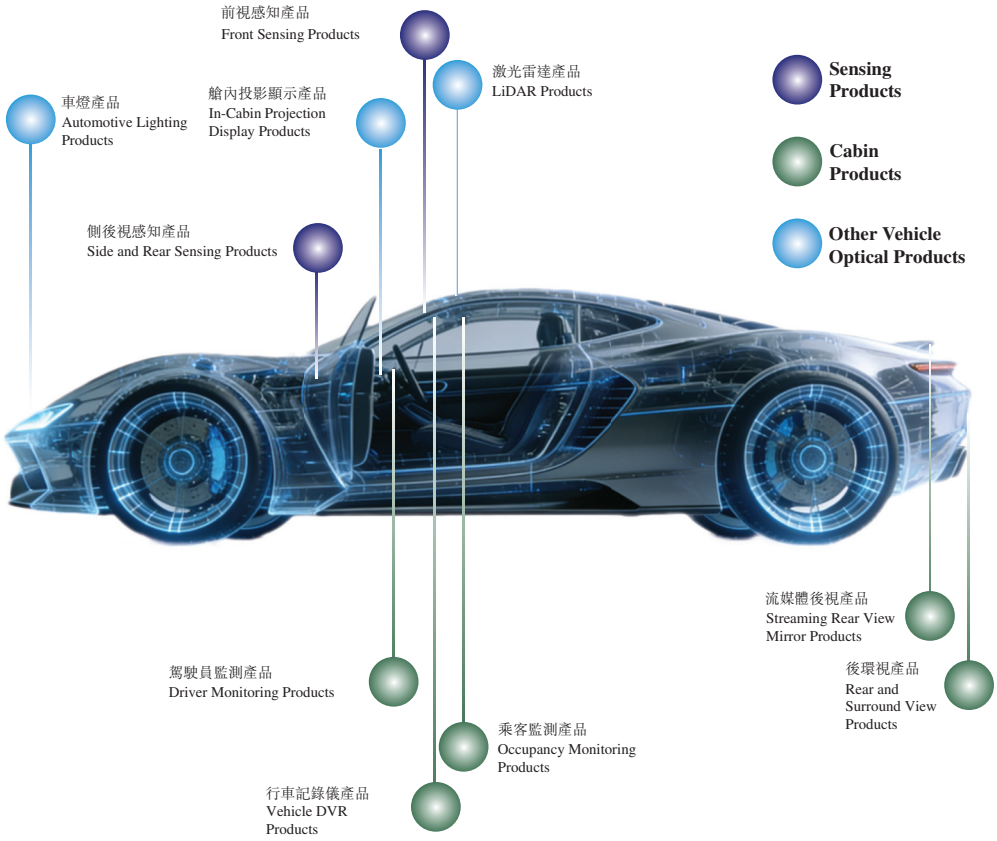
- *AI-driven automotive evolution to an intelligent and interactive space:* with rapid advancements in automotive intelligence, the integration of world models with VLA models is accelerating the implementation of ADS applications, such as Robotaxi and autonomous truck, and SDV applications. In the future, cars will evolve beyond transportation vehicles into a highly intelligent and interactive space with real-time perception and interaction capabilities. As driving tasks are increasingly handled by automated systems, safety, experience and trust will become the core criteria in evaluating vehicles, replacing traditional control-oriented metrics.

- *Perception and interaction as critical enablers:* intelligent vehicles are built upon two core capabilities: first, reliable perception of the external world; second, clear and intuitive interaction to convey system decisions to humans. These two capabilities together form the critical foundation for intelligent vehicle operation and are expected to drive significant market demand growth. For example, according to F&S, automotive electrification and intelligence are driving a significant increase in camera installations, with per-vehicle installations expected to increase from 3-5 units in 2025 to 8-12 units in 2030.

- *Opto-mechanical-electro-algorithmic capabilities motivating mobility upgrade:* AI technology continues to drive the advancement of the automotive industry, propelling automotive optical systems to transition from discrete components to integrated, multi-modal products that are scalable and collaborative. After more than 20 years of development, we have established a suite of product offerings covering vehicle camera products and other vehicle optical products. Leveraging our integrated opto-mechanical-electro-algorithmic platform, we enable technology sharing and collaboration, positioning us to capture early-mover advantages in the transformation.

Our Products

To seize the opportunities of the AI-driven intelligent automotive era, we focus on intelligent perception and interaction capabilities and have developed two major product lines: vehicle camera products, which can be further categorized into sensing and cabin products, and other vehicle optical products. This enables us to offer customers an integrated portfolio of automotive optical products. The following diagram provides an overview of our products.



Vehicle Camera Products

- *Sensing products:* our sensing products comprise the vehicle's perception capabilities and provide the foundational technology for autonomous driving solutions. These products enable ADAS and ADS to perform multi-sensor fusion, object detection and path planning. Our portfolio covers front, side and rear sensing products that enable intelligent driving systems to recognize vehicles, pedestrians, traffic signs and obstacles. Integrated with intelligent software algorithms, our sensing products enhance the perception accuracy, detection precision and response time of intelligent driving systems. Furthermore, we have independently developed features such as glare resistance, active heating and active cleaning to address environmental perception challenges in complex driving conditions, providing enhanced safety for intelligent driving applications.

- *Cabin products:* our cabin products focus on the driver and occupant experience, deliver an enhanced human-machine interaction, by improving user's experience and enabling real-time detecting of vehicle operating conditions. Our cabin products cover both view and in-cabin products. View products include rear and surround view products, vehicle DVR products and streaming rear view mirror products. In-cabin products include driver monitoring products, occupancy monitoring products and others, such as TOF products.

By incorporating modular technologies and application functions, these products provide drivers and occupants with enhanced internal and external views and interaction capabilities, creating a safer and more comfortable cabin experience.

Other Vehicle Optical Products

Leveraging our integrated R&D platform and our partnership ecosystem, we have developed other vehicle optical products including LiDAR, in-cabin projection display and automotive lighting products.

- *LiDAR products:* we currently offer LiDAR products for both long-range and mid-to-short-range LiDAR applications, with differentiated core product portfolios tailored to each module. We achieved the R&D and mass production of the first long-range LiDAR opto-mechanical transceiver in 2022, using a 1,550nm light source, enabling a longer detection range and better eye safety.

- *In-Cabin projection display products:* our in-cabin projection display products comprise PGU, freeform mirror and diffuser, which are primarily used for HUD, rear-seat large-screen projection and side-window projection applications.

- *Automotive lighting products:* our smart automotive lighting mainly comprises pixelated headlamp projection products. Our automotive lighting products employ high-precision optical design with dynamic light pattern adjustment and road projection functions. We currently supply pixelated headlamp projection lenses for the highest shipment volume vehicle model globally equipped with smart automotive lighting.

Our Technology Platforms

We have established an R&D system covering all of our product lines. Through continuous innovation and vertical integration, we have developed the following three major technology platforms that together form our integrated technological capabilities:

- *Optical core technology innovation platform:* we drive continuous innovations in material science, optical design and precision processing, achieving critical breakthroughs in optical technologies. This supports our market position in product reliability, application versatility and production consistency, advancing automotive optical performance standards.

- *Opto-mechanical-electro-algorithmic integration platform:* leveraging our integrated opto-mechanical-electro-algorithmic capabilities, we continuously expand innovative optical system applications and have established system-level optical products. We integrate view and in-cabin products, combining DMS and OMS through automotive domain controller to achieve deep optical and algorithmic integration within cabin environments.

- *Digitalized manufacturing technology platform:* we have developed and implemented a range of proprietary manufacturing technologies that support automotive-grade quality standards, manufacturing precision and operational efficiency. These technologies form the backbone of our integrated advanced manufacturing system, which integrates precision processing assembly, optical calibration and advanced packaging technologies.

Our Global Partners

We have established a collaborative and innovative customer-centric ecosystem with a global customer base that includes leading Tier-1 suppliers and OEMs worldwide. As of June 30, 2026, we covered 8 out of the top 10 global Tier-1 suppliers and 19 out of the top 20 global OEMs. Furthermore, we cover all of first batch of OEMs in China that obtained the conditional L3 autonomous driving permits.

Partnering with all the global top 5 technology companies specializing in ADAS and ADS, we have developed a technology partnership network that we believe provides us with competitive advantages. Our industry experience enable us to anticipate and rapidly meet evolving customer needs while deepening partnerships to jointly define standards for intelligent perception and interaction in automotive industry.

Our Financial Performance

During the Track Record Period, we continuously optimized our product mix and enhanced global operational efficiency, resulting in improvements in our operating performance and profitability. Our revenue was RMB5,262.2 million, RMB5,989.3 million, RMB7,188.8 million, RMB3,352.0 million and RMB3,701.6 million for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. Our net profit increased from RMB1,140.4 million in 2023 to RMB1,271.7 million in 2024 to RMB1,289.4 million in 2025. Our net profit remained relatively stable at RMB657.2 million in the six months ended June 30, 2025 and RMB665.5 million in the same period of 2026.

STRENGTHS

Proven Innovative Capabilities

We were one of the first movers with dedicated focus on automotive-grade applications and ADAS camera products and have been enabling innovations in optical technologies. We have built a diverse product portfolio covering automotive optical scenarios. Our market position is demonstrated by:

- We are one of the few companies in the industry with the capability for independent R&D and large-scale commercialization of a suite of automotive optical products, including sensing and cabin products as well as LiDAR, in-cabin projection display and automotive lighting products.

- Our vehicle camera products ranked first globally based on shipment volume in 2025, according to F&S; in the fields of sensing and smart cabin, we were the world's largest sensing and cabin products provider by shipment volume in 2025; our vehicle lens sets have held the top global market share by shipment volume for 14 consecutive years.

- With over 20 years of specialized expertise in automotive optics, we have built relationships with leading global Tier-1 suppliers and OEMs and developed capabilities across product development, technical verification, production and customer support. Our sustained industry experience and trust within the value chain have established competitive advantages in market positioning and reputation. Combined with our established automotive-grade qualification and customer validation track record, we believe these capabilities create competitive advantages supporting continued growth and expanding market share.

We have successfully developed milestone products and achieved performance breakthroughs, continuously leading technological development and product iteration in the automotive optical field:

- *8M/17M ADAS/ADS camera technologies:* our 8M/17M ADAS/ADS camera technologies deliver exceptional imaging resolution and optical performance for ADS, providing ultra-high-definition imaging with higher precision and wider dynamic range for ADAS/ADS applications.

- *Glass-plastic hybrid structure technologies:* we have completed development of 8M glass-plastic hybrid structure products for vehicle cameras, addressing growing demand for high-performance automotive vision systems in ADAS and ADS applications.

- *Automotive-grade variable aperture technology:* we have successfully developed automotive-grade variable aperture technology for camera products, which addresses the critical challenges of insufficient visibility under low-light conditions and overexposure under strong light. This innovative technology enables sensors to deliver high-quality images across various weather and lighting conditions.

- *Active heating solution:* we have successfully developed an active heating solution integrated within the lens, deployed at scale in CMS and LiDAR systems. Our proprietary ITO film solution for plastic optical windows eliminates substrate deformation during coating, delivering uniform heating, faster de-icing and cost-effective production with optimal optical transmission.

- *Ultra-high-resolution DLP PGU for AR-HUD:* our ultra-high-resolution DLP PGU for AR-HUD offers users an enhanced HUD experience with higher brightness, contrast, color gamut and stability.

- *Large-aperture glass-plastic hybrid structure projection lens:* our large-aperture glass-plastic hybrid structure projection lenses provide enhanced driving light assistance, warning and parking light interaction experiences with high clarity and brightness.

- *Long-range LiDAR Opto-Mechanical transceiver:* we achieved the R&D and mass production of the first long-range LiDAR opto-mechanical transceiver in 2022, using a 1,550nm light source, enabling a longer detection range and better eye safety.

- *Long-range LiDAR glass-plastic hybrid lens sets:* we have achieved mass production of long-range LiDAR glass-plastic hybrid lens sets, which replace conventional all-glass lens sets to further enhance product cost-effectiveness.

Integrated Automotive Optical Technology Platforms

We have made substantial investments in R&D and established a R&D platform with coverage across a broad spectrum of product lines and strong technological capabilities. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, we invested over RMB1.8 billion in R&D cumulatively. As of June 30, 2026, our R&D team comprised 1,424 employees, representing approximately 23.5% of our total workforce. As an industry leader, we have led or participated in formulating multiple national and industry standards. As of the Latest Practicable Date, we possessed a large patent portfolio, with 899 registered patents in total, including 601 invention patents. Our substantial invention patent portfolio constitutes a core competitive barrier that safeguards our proprietary technologies and ensures our autonomous and sustainable operations.

Additionally, through cumulative micro-innovation R&D and stringent automotive-grade validation, we have developed deep technical expertise and scenario knowledge that ensures high reliability while improving efficiency and shortening OEM validation cycles. We promote open collaborative innovation and work closely with industry partners to share technical resources and R&D achievements, forming a collaborative technological ecosystem. For example, as of June 30, 2026, we covered all of the global top 5 technology companies specializing in ADAS and ADS and have driven innovations in automotive optical and ADAS and ADS systems while accelerating new product development. Furthermore, by partnering with multiple leading LiDAR companies, we have enhanced LiDAR lens technology, providing high-precision optical support for intelligent driving systems. Through open collaborations, we have become global leaders in many key technical areas.

Through continuous investment and vertical integration, we have developed three major technology platforms that form our integrated technology platform capabilities:

- *Optical core technology innovation platform:* we drive continuous innovations in material science, optical design and precision processing, achieving key breakthroughs in optical technologies. Our material science capabilities include automotive-grade coating technologies, advanced resin material applications and performance-stable adhesive technology. Our optical design capabilities, such as 8M/17M ADAS/ADS camera technologies, automotive-grade variable aperture technology and π-mirror chassis blind spot monitoring system. Our precision processing capabilities, such as advanced ALD coating process and ultra-high-precision single-pass bonding process, deliver critical competitive advantages. Together, these ensure reliability and durability under extreme automotive conditions while delivering superior optical performance, enhanced safety, and significant cost efficiencies across diverse applications and high-volume manufacturing.

- *Opto-mechanical-electro-algorithmic integration platform:* we integrate the technology chain of optics, mechanics, electronics and computing to rapidly expand and iterate our product portfolio. Our integrated capabilities support development and optimization of our vehicle camera products as well as other vehicle optical products offering, achieving shared design resources, modular R&D and efficient collaboration across our product lines. We can complete the process from sample design to OEM validation within three to six months, shortening the cycle by approximately 30%, which represents an industry-leading timeframe, according to F&S. Leveraging our integrated opto-mechanical-electro-algorithmic capabilities, we continuously expand innovative optical system applications and have developed a diverse portfolio of system-level optical solutions, such as deep in-cabin software-hardware integration technology, active cleaning solution, full-chain simulation software, high-precision point cloud technology and color temperature correction technology.

- *Digitalized manufacturing technology platform:* we have developed proprietary manufacturing technologies that support automotive-grade quality standards, manufacturing precision and operational efficiency. Our digitalized manufacturing system that integrates precision assembly, optical calibration and advanced packaging technologies, significantly enhancing production efficiency, quality control and operational transparency. Our digitalized manufacturing technology platform includes high-precision active alignment (AA) and AIAA equipment, single-image calibration systems and COB packaging.

Diverse Product Portfolio with Cross-Business Synergies

Based on our core technology platform for automotive optics, we have developed a diverse opto-mechanical-electro-algorithmic product portfolio encompassing external environmental perception as well as in-cabin information display and interactive experiences.

Our diversified and complementary business segments create strong synergies across R&D, supply chain, manufacturing and sales. Leveraging our technology platform, we share core technologies and drive the coordinated evolution of product lines, significantly improving development efficiency. The global sharing of R&D, supply chain, manufacturing and customer resources continuously enhances overall operational efficiency and cost competitiveness. For example, our optical design and precision processing capabilities can be extended from sensing and cabin products to other vehicle optical products, significantly reducing development cycles and costs. We integrate the entire process, from lens R&D to module design to algorithm adaptation, ensuring our automotive optical products are highly compatible with our customer's requirements and shortening the product integration cycle by 20% to 30% compared to the industry average.

Leveraging our market position in vehicle camera products and cross-business synergies, we can expedite the commercialization of integrated vehicle optical products to our customers, thereby positioning ourselves in high-growth markets and capturing future opportunities. For example, we have supplied vehicle camera products to leading Tier-1 suppliers and OEMs. Building upon our longstanding partnerships with these customers and our understanding of their requirements, our independently developed HUD PGU has been successfully integrated into their supply chains and has achieved mass production.

Our integration capabilities enable seamless convergence of vehicle camera products and other vehicle optical products, delivering reliable multi-sensor fusion. By combining these complementary technologies, we provide enhanced perception and interaction capabilities with improved accuracy and reliable performance across diverse operating conditions, serving the growing trend towards multi-sensor fusion in automotive industry.

Established Collaborative Relationships with Global Customers

We consistently adhere to a "core supplier strategy (MingPeiJiao)". With our advantages in optical system performance, delivery reliability and validation response time, we are in the supply chain of leading global Tier-1 suppliers and OEMs. We have also established long-term collaborative relationships with our customers that position us to capitalize on growth opportunities arising from the intelligent and electrification transformation of the automotive industry.

Our global customer base reflects our coverage and partnerships across the automotive value chain. As of June 30, 2026, we covered 8 out of the top 10 global Tier-1 suppliers and 19 out of the top 20 global OEMs; furthermore, we cover all of first batch of OEMs in China that obtained the conditional L3 autonomous driving permits.

We proactively monitor emerging industry trends and continuously enhance the breadth and depth of our partnership ecosystem through cross-business synergies and agile collaboration mechanisms. Our strategic alliances with all the global top 5 technology companies specializing ADAS and ADS have enabled us to integrate into their worldwide ecosystems and supply chain networks. Through these partnerships, we jointly define product requirements and technical standards, fostering a technology ecosystem. By leveraging ecosystem synergies and value chain integration, we actively consolidate high-quality resources across multiple domains to accelerate product and technological advancement.

With our advanced proprietary technologies and high-quality services, we have earned widespread recognition from our customers and partners. We obtained various quality and supplier related awards from among the global leading Tier-1 suppliers and NEV OEMs.

Strategic Global Manufacturing and Service Capabilities

We emphasize on our strategic global manufacturing and service capabilities. Leveraging our strategic presence across key markets, we have established an integrated global operating system encompassing supply chain, manufacturing, customer service and technical support. This creates an efficient and sustainable value chain network that enables us to deliver superior value to our global customers.

- *Global manufacturing:* our global manufacturing bases are strategically located across China and overseas markets, enabling us to serve our global customers efficiently. We commenced deployment the first of our Vietnam production base in 2019, accumulating overseas localization expertise across production line planning, factory construction, talent development and local partner collaboration. Our manufacturing operation is characterized by high levels of automation, digitalization and efficiency, with automation rates exceeding 90% as of June 30, 2026, which represents an industry-leading timeframe. Furthermore, our AIAA equipment deployed on key production lines increases production efficiency by approximately 20% compared to conventional equipment while maintaining over 95% product yield as of June 30, 2026.

- *Global supply chain:* we maintain a dual-track global and domestic supply chain strategy. We actively collaborate with core suppliers of optical materials and components, electronic components and structural components to establish localized industry clusters around our main production bases. This strategic approach shortens supply chain lead times, enhances responsiveness and enables us to build an agile, reliable and sustainable global supply ecosystem with our partners. To mitigate the risk of supply disruptions, we have implemented an "n+1" supply chain strategy, which involves qualifying at least two suppliers for each key materials to avoid dependence on any single supplier.

- *Global service network:* with localized services in China and overseas, we provide customers with rapid, professional technical support and ensure efficient, reliable customer service throughout the product lifecycle. Leveraging our long-term relationship with the global leading Tier-1 suppliers and OEMs, we are able to build global customer experience and establish a service system that fosters a thriving partnership ecosystem.

Experienced and Committed Team with Common Core Values

Our management team possesses decades of industry experience and a global perspective in the automotive optical industry, with a distinguished track record in industry foresight, technological innovation, strategic partnerships and operational excellence. Our major senior management team comprises industry veterans with expertise spanning market development, technology and R&D, averaging more than 20 years of experience in the optoelectronic and automotive industries. This expertise enables us to identify and capitalize on emerging trends and opportunities in the automotive and technology sectors, playing a pivotal role in driving our organic growth and leading our strategic expansion in the automotive industry.

Building on our founder Mr. Wang Wenjian's over 40 years of industry experience, we foster a culture of innovation and long-term value creation. We believe our strategically forward-looking management team and culture position us to capture first-mover opportunities in the transformation towards technological advancements in our industry, driving continuous advancement of the industry's evolution.

STRATEGY

All in Intelligent Technologies and Innovation

In alignment with the evolution of automotive intelligence, we will continue to advance the integrated development of intelligent perception and interaction capabilities, driving technological innovation from hardware capabilities to software capabilities to build a perception and interaction system that evolves in tandem with the trend of technological advancements in our industry.

We are committed to investing in enhancing our AI technology capabilities. Drawing upon our opto-mechanical-electro-algorithmic integrated technology foundation, we will focus on developing intelligent technologies and proprietary algorithms to strengthen the integration of intelligent perception and interaction. We will maintain collaborations with the global technology companies specializing in ADAS and ADS and advance our intelligent technology ecosystem, creating sustained value for Tier-1 suppliers, OEMs, other industry partners and end-users.

Strengthening Our Partnership Ecosystem

We will maintain a customer-centric approach, proactively identifying and responding to customer needs.

Through full-process collaboration, from product definition to mass production, we will serve as a strategic partner throughout our customers' value chains. To achieve this, we will deepen strategic collaboration with existing customers by establishing diverse, multi-level partnerships. We aim to strengthen our position within customers' core supply chains and innovation systems, transforming each successful project into lasting relationships and competitive advantages.

Concurrently, we will expand our customer coverage, focusing on increasing market share in intelligent vehicle models and intensifying collaboration with leading global Tier-1 suppliers and OEMs. Harnessing our market position, we seek to build brand recognition and sustained market share advantages.

Expanding Our Product Portfolio

Building on established position in vehicle camera products, we will strengthen our value contribution and industry position in automotive optical systems through increased investment in other vehicle optical products such as LiDAR, in-cabin projection display and automotive lighting products.

We will accelerate product development towards software and hardware integration and upgrade, focusing on application scenarios such as ADS. This strategic focus will drive the scaled deployment of other vehicle optical products across diverse platforms and vehicle models, enabling synergies between the product offerings and technology platforms.

Concurrently, we will enhance our technical and service capabilities to provide customers with product lifecycle support services, improving overall product value and delivery efficiency. This enhanced support will deepen long-term customer relationships and reinforce our position as a strategic partner throughout the automotive value chain.

Enhancing Our Global Presence

We will enhance our global presence to meet localization requirements and improve our operational resilience across strategic dimensions.

- *Manufacturing and supply chain:* we will strengthen our domestic and international production capabilities and build an efficient, advanced and sustainable manufacturing system tailored to global customer needs. Through establishing long-term partnerships with leading global suppliers, we will enhance supply chain stability and optimize our cost structure, ensuring operational continuity and competitive pricing.

- *Localized services:* we will enhance our localized supply and service support systems by establishing dedicated teams and capabilities in strategic regions, including Europe, the Americas and the Asia-Pacific region. This regional presence will enable us to deliver responsive, reliable services that meet the specific requirements of our global customers throughout the product lifecycle.

- *Talent Expansion:* we will continue to attract top global talent with expertise in optics, algorithms, precision processing, automotive and related fields through diversified recruitment channels and international talent acquisition programs. Concurrently, we will optimize our training and development systems to foster continuous innovation and enhance organizational effectiveness.

Committing to Sustainable Development

We recognize the importance of ESG and global sustainable development trends. We have established an ESG management system aligned with international standards and continue to advance global sustainable development objectives.

We maintain rigorous management of wastewater, waste gas and waste through clean production practices. Adhering to green production principles, we implement rigorous energy management and carbon reduction measures. Through efficient resource utilization and maximizing resource efficiency, we promote circular economy practices to build a green, low-carbon and sustainable operational ecosystem. We are committed to fostering a diverse, equitable and inclusive work environment that upholds fair treatment, equal opportunities and occupational health and safety standards.

Our ESG framework integrates sustainability considerations into strategic decision-making, ensuring accountability and transparency across all operational levels while driving continuous progress towards our environmental and social commitments.

OUR BUSINESS MODEL

We have developed a vertically integrated business model that focuses on the development and commercialization of vehicle camera products, including sensing and cabin products and a portfolio of other vehicle optical products, including LiDAR, in-cabin projection display and automotive lighting products. The following diagram illustrates our business model:

We manage and operate our business through a cycle encompassing design, research and development, sales, procurement and manufacturing, verification, delivery and customer-service phases. This integrated approach ensures quality control and customer satisfaction throughout the entire product lifecycle.

Design Phase

Our design team initiates each new project by communicating with customers regarding product applications and undertaking joint design when necessary to ensure clear understanding of the relevant requirements. This collaborative approach involves evaluating technical specifications requested by customers, defining products and selecting supply chain partners for critical components. Our design team analyzes cost components including materials, labor and tooling requirements and prepares initial design concepts that balance performance requirements with manufacturing efficiency. Our design team considers factors such as optical performance, durability under automotive conditions, integration with vehicle systems and compliance with the relevant automotive standards, such as the Administrative Specifications for Road Testing and Demonstration Application of Intelligent and Connected Vehicles (Trial). Initial cost estimates and project timelines are established during this phase to ensure commercial viability.

Research and Development Phase

Upon receiving customer approval of the initial design concepts, our R&D team advances the project into prototyping. This phase involves developing functional prototypes that demonstrate the camera's performance characteristics, while considering critical system requirements including functional safety, electromagnetic compatibility, cybersecurity and information security, if applicable. Our R&D team conducts rigorous testing under simulated automotive conditions (including temperature extremes, vibration and humidity) and refines the design based on test results. Production trials are conducted to validate manufacturing processes, identify potential production challenges and optimize the design for mass production. Our R&D team works closely with customers to incorporate feedback and ensure the final design meets all technical specifications and performance requirements.

Sales Phase

Our sales team serves as the primary interface with customers. Our team actively communicates with existing and prospective customers to understand their requirements, prepares and submits detailed bidding proposals that outline technical specifications, pricing, delivery schedules and quality assurance measures and participates in competitive tender processes. Sales activities also include negotiating contract terms, managing customer relationships and identifying new business opportunities. Our team secures formal sales orders that serve as the foundation for subsequent production planning. For standardized products, our sales phase occurs after the research and development phase. For products involving more customization, our sales phase occurs before the research and development phase.

Procurement and Manufacturing Phase

Once we obtain nominations, we initiate procurement of raw materials and components from our qualified supplier network, with full consideration of procurement risks for critical components and the formulation of effective procurement strategies, based on the customers' requirements. This includes optical materials and components (such as resin and lenses), electronic components (such as image sensors and PCBAs) and structural components (such as housing and mounting brackets). Our manufacturing operations follow established production schedules, utilizing specialized equipment for camera assembly, calibration and testing. Quality control checkpoints are integrated throughout the manufacturing process to ensure consistency. Production planning is coordinated to meet customer delivery requirements while inventory levels and manufacturing efficiency are optimized.

Verification Phase

We conduct detailed quality verification on all products before dispatch. This includes strict application-level testing that exceeds typical industry requirements. Our testing system simulates end-user scenarios to ensure application requirements are met, feature validation testing to confirm all camera features operate correctly, performance testing against specified parameters (such as resolution, FOV and low-light performance), environmental testing to ensure reliability under automotive conditions and compliance verification against relevant automotive standards (such as the IATF 16949 quality management standard) and our internal compliance requirements. Only products that pass all verification criteria proceed to the delivery phase.

Delivery and Customer Service Phase

We coordinate product delivery to customers in scheduled batches, aligned with their production requirements and manufacturing needs. Our logistics team manages packaging, shipping documentation and transportation to ensure products arrive safely and on schedule. Post-delivery, we provide customer-oriented after-sales services, including technical support for product applications, warranty services for defective units, failure analysis to identify and resolve any quality issues and ongoing communication to support initiatives for continuous improvement. This phase maintains long-term customer relationships and generates valuable feedback for future product development.

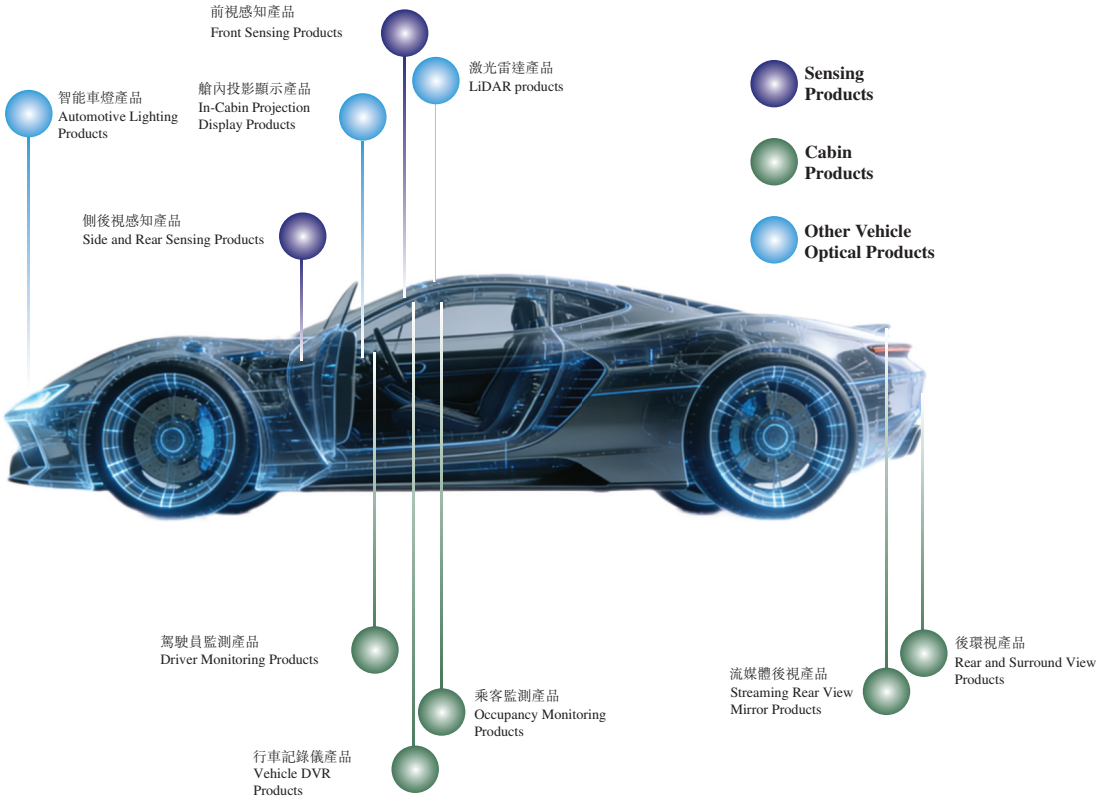
We adhere to a customer-centric, full-lifecycle approach, with an emphasis on technical accumulation, process stability and continuous innovation, enabling the stable delivery of competitive automotive optical products. Our vertically integrated model allows us to maintain control over quality and costs throughout the entire value chain, from initial design to after-sales service.

OUR PRODUCTS

Overview

During the Track Record Period, we primarily offered our customers (i) vehicle camera products, comprising (a) sensing products, encompassing front, side and rear sensing products and (b) cabin products, covering both view and in-cabin products. View products include rear and surround view products, vehicle DVR products and streaming rear view mirror products. In-cabin products include driver monitoring products, occupancy monitoring products and others, such as TOF products; and (ii) other vehicle optical products, comprising LiDAR, in-cabin projection display and automotive lighting products.

The following diagram provides an overview of our products.



Our products are developed on the basis of standardized underlying product models and platform architectures. However, in practice, we adapt our products to meet the specific requirements of individual customers and vehicle models. Such adaptations typically involve the selection and configuration of components with different specifications or functionalities — for example, the use of lenses with varying optical parameters (such as viewing angles and resolution capabilities) or the incorporation of different functional features — in accordance with the technical requirements and performance criteria specified by the relevant customer for a particular vehicle model. Accordingly, while our core product designs and manufacturing processes are largely standardized, the end products delivered to customers are tailored to accommodate the specific application scenarios and technical specifications required by different vehicle models.

The following table summarizes our principal product categories, the specific optical products involved and their typical application scenarios:

Primary Category	Sub-category	Principal Product	Specific optical products involved	What does the product do	Illustrative application scenario
Vehicle camera products	***Sensing products***	*Front sensing camera product*	Vehicle lens sets and vehicle modules	Helps the vehicle capture images of the road ahead so that the customer's system can identify lanes, vehicles, traffic signs and other road users	Used in front-view ADAS/ADS functions, such as lane keeping, traffic sign recognition and forward collision-related functions
		Side and rear sensing camera product	Vehicle lens sets and vehicle modules	Helps the vehicle monitor areas on the side of and behind the vehicle to detect nearby vehicles, obstacles and other surrounding conditions	Used in functions such as blind-spot monitoring, lane-change assist and certain rearward sensing applications
	Cabin products	*Rear and surround view camera product*	Vehicle lens sets and vehicle modules	Provides visual coverage around the vehicle, especially during parking and low-speed manoeuvring	Used in reversing image display and 360-degree surround-view parking functions
		Vehicle DVR camera products	Vehicle lens sets and vehicle modules	Records images of road conditions and driving events during vehicle operation	Used for driving record, accident review and fleet management-related recording functions
		Streaming rear-view mirror camera products	Vehicle lens sets and vehicle modules	Captures rearward images and allows the driver to view the rear of the vehicle through an in-cabin display instead of, or in addition to, a conventional mirror view	Used where the rearward view may be partially blocked by passengers, cargo or vehicle structure
		Driver monitoring camera product	Lens sets, IR optical components and/or filters, depending on the customer program	Monitors the driver's face, eye movement, head position or attention level	Used in driver fatigue alerts, distraction warnings and other driver monitoring functions
		Occupancy monitoring camera product	Lens sets and/or related RGB/RGB-IR optical components and filters	Monitors what is happening inside the cabin, such as whether occupants are present and where they are seated	Used in child presence detection, occupant classification, seat belt reminder, passenger posture/presence detection and airbag deployment optimization

Primary Category	Sub-category	Principal Product	Specific optical products involved	What does the product do	Illustrative application scenario
Other vehicle optical products	*N/A*	*LiDAR product*	LiDAR optical products, such as transceivers, polygons, optical windows and/or other related optical components	Helps LiDAR systems emit and receive laser signals so that the surrounding environment can be measured and mapped	Integrated by customers into LiDAR systems used for environmental perception in intelligent driving applications
		In-cabin projection display product	Optical products used in in-cabin projection display systems, such as PGUs, freeform mirrors, diffusers and/or related optical components	Helps project images or information onto the windshield or other in-cabin display surfaces so that the driver can see driving information more easily	Used in HUD/AR-HUD applications to display navigation prompts, driving status or warning information
		Smart automotive lighting product	Optical products used in smart automotive lighting systems, such as projection lenses and/or related optical components	Helps shape, direct or project light for vehicle lighting applications	Used in adaptive lighting, projection lighting and other smart vehicle lighting functions

The following table sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)									
							(Unaudited)			
Vehicle camera products										
– Sensing products	3,460,285	65.7	3,878,413	64.8	4,706,964	65.5	2,163,766	64.5	2,376,474	64.2
– Cabin products	1,523,726	29.0	1,801,080	30.0	2,156,091	30.0	1,045,267	31.2	1,064,751	28.8
Subtotal	**4,984,011**	**94.7**	**5,679,493**	**94.8**	**6,863,055**	**95.5**	**3,209,033**	**95.7**	**3,441,225**	**93.0**
Other vehicle optical products[(1)]	**278,193**	**5.3**	**309,764**	**5.2**	**325,785**	**4.5**	**142,985**	**4.3**	**260,380**	**7.0**
Total	**5,262,204**	**100.0**	**5,989,257**	**100.0**	**7,188,840**	**100.0**	**3,352,018**	**100.0**	**3,701,605**	**100.0**

Note:

(1) Other vehicle optical products primarily included LiDAR, in-cabin projection display and automotive lighting products.

Revenue by Geographic Location

During the Track Record Period, we primarily generated revenue from Chinese Mainland and Europe. The following table sets forth a breakdown of our revenue by geographic location for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)									
							(Unaudited)			
Chinese Mainland	2,360,233	44.9	3,102,592	51.8	4,258,640	59.2	1,867,591	55.7	2,116,903	57.2
Europe	1,448,241	27.5	1,328,277	22.2	1,266,530	17.6	643,706	19.2	706,449	19.1
North America	732,549	13.9	719,537	12.0	719,853	10.0	356,254	10.6	410,568	11.1
Asia (except Chinese Mainland)	645,302	12.3	697,063	11.6	795,725	11.1	403,508	12.1	400,153	10.8
Others[(1)]	75,879	1.4	141,788	2.4	148,092	2.1	80,959	2.4	67,532	1.8
Total	**5,262,204**	**100.0**	**5,989,257**	**100.0**	**7,188,840**	**100.0**	**3,352,018**	**100.0**	**3,701,605**	**100.0**

Note:

(1) Others mainly included Africa.

The following table sets forth a breakdown of sales volume and average selling prices by major product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Sales volume	Average selling prices[(1)]	Sales volume	Average selling prices[(1)]	Sales volume	Average selling prices[(1)]	Sales volume	Average selling prices[(1)]	Sales volume	Average selling prices[(1)]
	(Unit '000)	*(RMB/ Unit)*	*(Unit '000)*	*(RMB/ Unit)*	*(Unit '000)*	*(RMB/ Unit)*	*(Unit '000)*	*(RMB/ Unit)*	*(Unit '000)*	*(RMB/ Unit)*
Vehicle camera products										
– Sensing products	48,357	72	51,168	76[(2)]	69,716	68[(2)]	34,564	63[(2)]	38,349	62[(2)]
– Cabin products	44,130	35	51,969	35[(2)]	68,827	31[(2)]	33,399	31[(2)]	38,427	28[(2)]

Notes:

(1) Average selling price is calculated through dividing revenue by the relevant sales volume during the same year, which represents the average price at which our products were sold to our customers.

(2) The decrease in the average selling prices of our sensing products and cabin products from 2024 to 2025 and further from the six months ended June 30, 2025 to the same period of 2026 primarily because we adopted more competitive pricing in response to intensified market competition, which was in line with the market trend, according to F&S. According to F&S, the intensified market competition was primarily because: (i) intense competition in the downstream automotive market has led OEMs to exert pricing pressure on suppliers; (ii) growing demand has attracted new entrants and encouraged existing camera module manufacturers to expand into the automotive sector, increasing the number of qualified suppliers; and (iii) suppliers achieve greater economies of scale and manufacturing efficiencies, resulting in lower unit costs.

Vehicle Camera Products

Our vehicle camera products form the foundation of our vehicle optical business, comprising (i) sensing products, encompassing front and side and rear sensing products and (ii) cabin products, covering both view and in-cabin products. View products include rear and surround view products, vehicle DVR products and streaming rear view mirror products. In-cabin products include driver monitoring products, occupancy monitoring products and others, such as TOF products. These offerings deliver visual perception and interaction capabilities throughout the entire vehicle.

Sensing products comprise the vehicle's perception capabilities, while cabin products focus on the driver and occupant experience. Sensing products provide the foundational technology for autonomous driving solutions, enabling ADAS and ADS through multi-sensor fusion, object detection and path planning. Cabin products deliver an enhanced human-machine interaction, by improving users' experience and enabling real-time detecting of vehicle operating conditions. As the automotive industry evolves from "intelligent perception" to the deep integration of "intelligent perception and interaction," this transformation is fundamentally reshaping vehicle architecture. According to F&S, automotive electrification and intelligence are driving per-vehicle camera installations, increasing from 3-5 units in 2025 to 8-12 units in 2030. In this context, the strategic deployment and integration of both sensing and cabin products are pivotal to capitalizing on this industry shift and establishing competitive position in the expanding market.

According to F&S, in 2025, we were the world's largest sensing and cabin products provider for vehicle camera products by shipment volume; based on shipment volume in 2025, our vehicle camera products ranked first globally, with a market share approximately equal to the combined market share of the next two players; our vehicle lens sets have held the top global market share by shipment volume for 14 consecutive years. As of June 30, 2026, we covered 8 out of the top 10 global Tier-1 suppliers and 19 out of the top 20 global OEMs, establishing our position as a reliable partner in the intelligent vehicle ecosystem.

Sensing Products

Our sensing products represent the cornerstone of our business, demonstrating our capabilities in automotive perception systems. As the automotive industry transitions towards ADAS and ADS, sensing has become essential for enabling vehicle-environment interaction and autonomous decision-making.

Our sensing products portfolio primarily consists of (i) front sensing products and (ii) side and rear sensing products. Together, these products help the vehicle detect and understand its surrounding environment. Front sensing products provide forward environmental perception, enabling lane departure warning, autonomous emergency braking and adaptive cruise control. Side and rear sensing products provide lateral perception for blind spot monitoring and lane-change assistance, as well as rear perception for collision warning and reversing assistance. Collectively, these integrated sensing products enable L2, L3 and L4 autonomous driving functions, supporting enhanced vehicle automation where the system can simultaneously control steering, acceleration and braking under driver supervision, while maintaining continuous environmental monitoring from all directions to ensure safety coverage. By utilizing our proprietary optical design technologies, including our glass-plastic hybrid structure technology, 8M/17M ADAS/ADS camera technology and active cleaning products, our products are built to deliver consistent, long-lasting performance with minimal susceptibility to interference from external environmental factors, enabling them to operate reliably on a continuous basis.

According to F&S, during the Track Record Period, the average selling prices of our sensing products were broadly in line with the market prices of products with comparable specifications and configurations. The table below sets out certain details of our sensing products.

Products	Image	Key Specifications	Industry Benchmarks
Front sensing products		• HFOV[(1)]: 28/30/100/120 • Resolution[(2)]: 2M/8M • CFA[(3)]: RGGB/RYYCy/RCCG	HFOV: 30-140 Resolution: 2M-8M CFA: RGB/RGGB/ RCCC/RCCB/RCCG
Side and rear sensing products .		• HFOV: 60/70/100 • Resolution: 2M/8M • CFA: RGGB	HFOV: 60-120 Resolution: 1M-8M CFA: RGB/RGGB (mainstream); RCCB/RCCG/ RYYCy/RGB-IR also available

Notes:

(1) HFOV represents the range of vision that the camera can capture in the horizontal direction, measured in degrees. The wider the HFOV, the broader the coverage area captured by the camera.

(2) Resolution represents the pixel distribution density of an image. The higher the resolution, the greater the level of image clarity and detail.

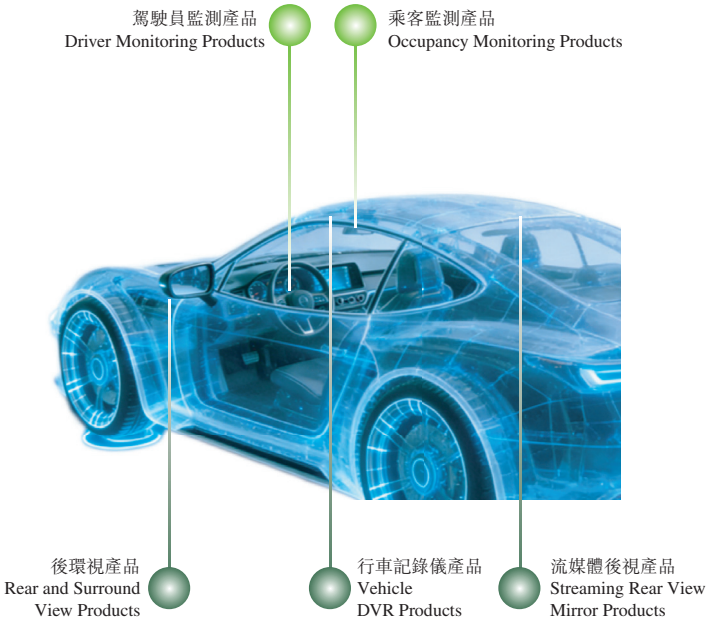
(3) CFA represents the array of color filters on an image sensor, which enables image sensors to perceive red, green and blue light to generate color images. Common CFA configurations include RGB, RGB-IR, IR, RGGB, RYYCy and RCCG.

Cabin Products

Our cabin products represent a cornerstone of our business, demonstrating our capabilities in enhancing driver safety, occupant comfort and human-vehicle interaction. As the automotive industry transitions from driving-centric to experience-centric ecosystems driven by intelligent and autonomous driving technologies, cabin products have become critical enablers of in-vehicle monitoring, safety enhancement and the creation of a trusted intelligent and interactive space that prioritizes user comfort and experience.

Our cabin products consist of view and in-cabin products. View products help drivers see around their vehicle more easily. This category includes rear and surround view products, vehicle DVR products and streaming rear view mirror products. In-cabin products monitor what is happening inside the vehicle. This category includes driver monitoring products, occupancy monitoring products and others, such as TOF products. By utilizing deep in-cabin software-hardware integration technology, we are able to combine our DMS and OMS into a single unified system. This allows the camera hardware and the underlying software to work seamlessly together, delivering a smarter and more efficient in-cabin experience.

The following diagram provides an overview of our cabin products.



View Products

Our view product portfolio focuses on superior imaging performance, delivering high-fidelity visual information to enable drivers to accurately perceive road conditions, obstacles and surrounding traffic. Our view products comprise (i) rear and surround view products, (ii) vehicle DVR products and (iii) streaming rear view mirror products. View products help drivers see around their vehicle more easily.

Rear and surround view products give drivers a wider and surround view of what is around the vehicle by stitching together panoramic images of the vehicle's immediate surroundings. Vehicle DVR products provide continuous video recording during vehicle operation for accident liability determination and driving record retention, serving both safety and insurance documentation requirements. Streaming rear view mirror products serve as the optical core component of CMS, capturing high-definition images from the rear and sides of the vehicle and transmitting them to in-cabin display screens, enabling the replacement of traditional exterior mirror systems with superior digital alternatives.

According to F&S, during the Track Record Period, the average selling prices of our view products were broadly in line with the market prices of products with comparable specifications and configurations. The table below sets out certain details of our view products.

Products	Image	Key Specifications	Industry Benchmarks
Rear and surround view products . .		• HFOV[(1)]: 110/120/130/190~ • Resolution[(2)]: 1.3M/2.5M/3M • CFA[(3)]: RGGB	HFOV: 110-200 Resolution: 1M-8M CFA: RGGB/RGB (Bayer)
Vehicle DVR products		• HFOV: 120 • Resolution: 1.3M/2.5M • F.NO[(4)]: 2.0	HFOV: 120-140 Resolution: 1.3M-5M F.NO: 1.8-2.2
Streaming rear view mirror products . .		• HFOV: 60/65 • Resolution: 2.5M • F.NO: 1.8/2.0	HFOV: 60-130 Resolution: 2.5M-3M F.NO: 1.8-2.0

Notes:

(1) HFOV represents the range of vision that the camera can capture in the horizontal direction, measured in degrees. The wider the HFOV, the broader the coverage area captured by the camera.

(2) Resolution represents the pixel distribution density of an image. The higher the resolution, the greater the level of image clarity and detail.

(3) CFA represents the array of color filters on an image sensor, which enables monochrome photosensitive units to perceive red, green and blue light to generate color images. Common CFA configurations include RGB, RGB-IR, IR, RGGB, RYYCy and RCCG.

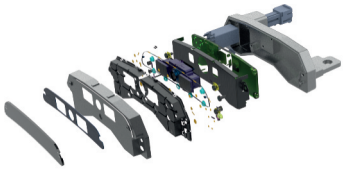
(4) F.NO represents the ratio of the lens focal length to the diameter of the entrance pupil, expressed as f/N (such as f/1.8 or f/2.0). The smaller the F.NO value, the larger the aperture, allowing more light to enter the sensor, which improves low-light performance and enables shallower depth of field.

In-cabin Products

Our in-cabin products portfolio focuses on safety by monitoring driver's attention, fatigue levels and occupant status. Our in-cabin products comprise (i) driver monitoring products, (ii) occupancy monitoring products and (iii) others, such as TOF products. In-cabin products monitor what is happening inside the vehicle.

Driver monitoring products are applied in the DMS, which precisely track the driver's alertness (such as gaze direction, eyelid movement and head posture) in real time to help prevent accidents. Key applications include drowsiness alerts, distraction warnings and driver authentication. Occupancy monitoring products are applied in the OMS, which deliver precise occupant positioning and classification data to enhance user safety and experience. These products strengthen OMS by enabling airbag deployment optimization, child presence detection, occupant classification and seatbelt reminder systems, while simultaneously supporting smart cabin functionalities such as gesture control and video conferencing.

According to F&S, during the Track Record Period, the average selling prices of our in-cabin products were broadly in line with the market prices of products with comparable specifications and configurations. The table below sets out certain details of our in-cabin products.

Products	Image	Key Specifications	Industry Benchmarks
Driver monitoring products		• Resolution[(1)]: 0.3M/1M/2M • HFOV[(2)]: 50+° • CFA[(3)]: IR	Resolution: 0.3M-2M HFOV: 40-60 CFA: IR
Occupancy monitoring products		• Resolution: 5M/8M • HFOV: 120-150° • CFA: RGB-IR/RGB	Resolution: 2.5M-8M HFOV: 120-200 CFA: RGB-IR/RGB

Notes:

(1) Resolution represents the pixel distribution density of an image. The higher the resolution, the greater the level of image clarity and detail.

(2) HFOV represents the range of vision that the camera can capture in the horizontal direction, measured in degrees. The wider the HFOV, the broader the coverage area captured by the camera.

(3) CFA represents the array of color filters on an image sensor, which enables monochrome photosensitive units to perceive red, green and blue light to generate color images. Common CFA configurations include RGB, RGB-IR, IR, RGGB, RYYCy and RCCG.

Building upon our established technological foundation in sensing and cabin products, we are strategically positioned to advance our capabilities across multiple dimensions focused on higher cost efficiency, greater miniaturization and higher resolution, robustness and system efficiency.

Other Vehicle Optical Products

Leveraging our advanced automotive optical technology and extensive expertise across mechanical, electrical and algorithmic domains, we have developed a diversified portfolio of other vehicle optical products that expand our technological capabilities and market reach. Our other vehicle optical products comprise (i) LiDAR, (ii) in-cabin projection display and (iii) automotive lighting products.

With our over 20 years of expertise in automotive optics, we have built good relationships with leading Tier-1 suppliers and OEMs and developed capabilities across product development, verification, production and customer support. Our sustained industry experience in vehicle camera products, automotive-grade qualification and extensive validation track record have enabled successful integration of our other vehicle optical products into 13 out of the global top 20 OEMs supply chains as of June 30, 2026. This achievement reflects our ability to translate optical core competencies into adjacent high-growth segments, while underscoring the scalability of our technology platform and our capacity to meet the rigorous quality, performance and reliability standards demanded by Tier-1 suppliers. The successful commercialization of these other vehicle optical products positions us to capture new growth opportunities and reinforce our strategic role as a technology partner within the transforming automotive value chain.

LiDAR Products

LiDAR products are critical within complete LiDAR systems for ADAS and ADS applications, delivering essential 3D environmental sensing capabilities. The products enable vehicles to detect and map their surroundings with high precision, identifying obstacles, pedestrians, road boundaries and other vehicles in real time. This technology is fundamental to both ADAS and ADS, providing accurate depth perception that operates effectively across diverse lighting conditions while complementing camera and radar-based sensor architectures.

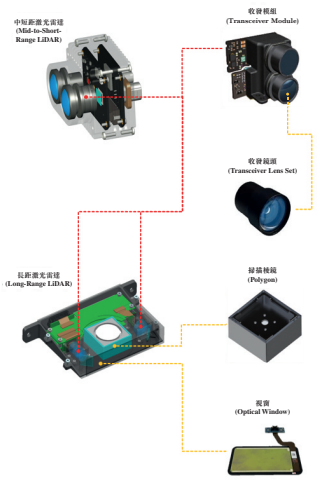
With the implementation of L3 and above autonomous driving, LiDAR will become an essential sensing unit for achieving high-precision environmental perception.

We currently offer LiDAR products for both long-range and mid-to-short-range LiDAR applications, with differentiated core product portfolios tailored to each module.

For long-range LiDAR, we supply three core products, including transceiver products, polygon and optical windows. For mid-to-short-range LiDAR, we provide transceiver camera products as principal products.

The transceiver camera module constitutes the fundamental sensing element, emitting laser pulses towards target objects while capturing reflected signals through an integrated optical system that focuses light onto photodetectors. This process extracts critical environmental data including distance and reflectivity measurements. The polygon serves as the beam steering mechanism, deflecting laser beams to enable detailed wide-area environmental scanning essential for autonomous driving applications. The optical window provides good environmental protection, safeguarding internal components against water, dust, debris and melted ice while maintaining optimal optical transmission.

According to F&S, during the Track Record Period, the average selling prices of our current core LiDAR products were broadly in line with the market prices of products with comparable specifications and configurations. The table below sets out certain details of our current core LiDAR products.

Products	Image	Key Specifications	Industry Benchmarks
Transceiver products		• Collimation accuracy[1] ≤0.1° • Spot shift[2] ≤ one SPAD • Spot loss[3] ≤1%	Collimation accuracy: ≤ 0.05-0.2 Spot shift: ≤ 1-3 SPAD pixels Spot loss: ≤ 1%-5%
Polygon		• Angle between surfaces[4] ≤0.015° • Deviation of distance between rotation axis and optical surface[5] ≤0.025 mm	Angle between surfaces: ≤ 0.01-0.03° Deviation of distance between rotation axis and optical surface: ≤ 0.01-0.05 mm
Optical window		• Transmittance[6] ≥93% • De-icing time[7] ≤2 minutes • Plastic solution surface form PV[8] ≤50 μm	Transmittance: ≥ 90%-95% De-icing time: ≤ 1-5 minutes Plastic solution surface form PV: ≤ 30-100 μm

Notes:

(1) Collimation accuracy represents the deviation angle between the laser emission beam and the lens optical axis. The smaller the angle, the higher the LiDAR detection accuracy.

(2) Spot shift represents the difference between the imaging position of the laser spot on the chip after reflecting off the target object and returning and the theoretical position of the target. The smaller the shift, the higher the LiDAR detection accuracy.

(3) Spot loss represents the portion of the laser spot that falls outside the ROI (Region of Interest) area on the chip after reflecting off the target object and returning. The smaller the spot loss, the higher the collected energy and the greater the LiDAR detection range.

(4) Angle between surfaces represents the angle between every two adjacent mirror surfaces on the polygon. The smaller the angle, the better the consistency of light deflection.

(5) Deviation of distance between rotation axis and optical surface represents the perpendicular distance from each mirror surface on the polygon to the center of the bracket. The smaller the deviation, the better the consistency of light deflection.

(6) Transmittance represents the ratio of radiant energy transmitted through an object to the total radiant energy during the process from incidence to emission of luminous flux. The higher the transmittance, the lower the laser energy loss.

(7) De-icing time represents the time from when the window begins heating until the attached ice is completely melted.

(8) Plastic solution surface form PV represents the difference between the actual surface profile curve and the theoretical surface profile curve of an optical component. The smaller the PV value, the more precise the optical surface and the better the optical performance of the product.

Building upon the foundation of high-precision AA equipment, we have developed transceiver-integrated AA equipment for LiDAR products that ensure the optical axis of the transmitter, which emits laser beams, is parallel to the optical axis of the receiver, which captures the reflected signals from target objects. Maintaining precise parallelism between these two optical axes is critical for ensuring LiDAR ranging accuracy, detection range and data validity. We achieved the R&D and mass production of the first long-range LiDAR opto-mechanical transceiver in 2022, using a 1,550nm light source, enabling a longer detection range and better eye safety.

Our forward strategy focuses on achieving stable, high-yield mass production capabilities combined with automotive-grade performance standards for fully integrated LiDAR products across both long-range and mid-to-short-range applications.

In-Cabin Projection Display Products

In-cabin projection display products are primarily used for HUD, rear-seat large-screen projection and side-window projection applications. We currently offer PGU, freeform mirror and diffuser for in-cabin projection display products. The PGU constitutes the core image generation of in-cabin projection display systems, functioning as an integrated compact projector. By utilizing our proprietary color temperature correction technology, we are able to maintains consistent PGU color output across extreme temperature. The freeform mirror magnifies images generated by the PGU to achieve the final display dimensions required for optimal driver visibility. The diffuser provides light uniformity control in automotive projection applications such as HUD and side-window projection, modulating output beam angles and evenly dispersing light to minimize glare while enhancing image quality and visual comfort.

Our ultra-high-resolution DLP PGU for AR-HUD delivers enhanced HUD experience through superior brightness, contrast, color gamut and stability, demonstrating our capabilities in AR-HUD technology.

Looking ahead, we are developing fully integrated in-cabin projection products, including holographic products, for next-generation vehicles to capitalize on the expanding market opportunities in advanced automotive display technologies.

Automotive Lighting Products

Unlike conventional headlights that provide static light patterns, smart automotive lighting dynamically adjusts their beam patterns, intensity and direction in response to real-time driving conditions, road geometry, traffic and weather. This technology significantly improves driver visibility while reducing glare for oncoming vehicles and pedestrians and provides the adaptive illumination essential for camera-based perception systems in autonomous driving applications.

Our automotive lighting products mainly comprise pixelated headlamp projection products. The pixelated headlamp projection products serve as key optical components in high-resolution pixelated headlamp, collecting and integrating light from the source or chip.

Leveraging our integrated R&D platform, our large-aperture all-glass structure lenses and glass-plastic hybrid structure lenses have been deployed at scale in multiple megapixel-class and 10k-pixel-class pixelated headlamp projection product. We currently supply pixelated headlamp projection lenses for the highest shipment volume vehicle model globally equipped with smart automotive lighting.

As smart automotive lighting integrates further with perception and display systems to become a vital component of the vehicle's interaction framework, we are focusing on enhanced human-vehicle interaction applications while optimizing for cost, size and weight reduction in alignment with evolving vehicle design requirements.

RESEARCH AND DEVELOPMENT

We believe technological R&D capabilities as the primary driving force for sustained growth. We believe our R&D capabilities are crucial for developing new products. Therefore, we devote considerable resources to continuously optimizing and enhancing our existing technologies and products while actively exploring future industry trends and potential new applications for our product lines. Our consistent investment in R&D enables us to respond swiftly to the evolving demands of the automotive sector and to maintain our competitive edge. We intend to continue investing in R&D to deliver high-quality products to our customers. As of the Latest Practicable Date, we held 899 registered patents in total, including 601 invention patents.

Our R&D Capabilities

We have established an R&D system and assembled specialized R&D teams to fulfill new development needs across all products. Our R&D team consists of selected talents whose expertise spans a wide range of areas including optics, mechanics, electronics and other related fields. As of June 30, 2026, our R&D team had 1,424 members, representing 23.5% of our total workforce.

Our R&D system is structured as a multi-level platform supporting key business lines in the automotive sector. The infrastructure integrates specialist teams dedicated to optical design, hardware engineering, algorithm development, advanced manufacturing processes and system integration. This foundation enables innovation throughout the entire lifecycle, from initial concept design through development, validation and ultimately commercialization.

As of June 30, 2026, we operated five R&D centers. The table below sets out certain details of our R&D centers.

R&D Center	Key Development Focus
Lens Sets R&D Center	Vehicle lens sets and process development.
Other Vehicle Optical Products R&D Center	LiDAR, in-cabin projection display and smart lighting products and process development.
Platform Technology R&D Center	Platform technology development including design software, materials and advanced process technologies.
Engineering Technology R&D Center	Vehicle camera products process engineering technology development.
Product Development R&D Center	Vehicle camera products technology development and optical R&D laboratory.

The table below sets out certain details of our key in-house R&D projects currently under development, which reflect our ongoing commitment to technological advancement and market position.

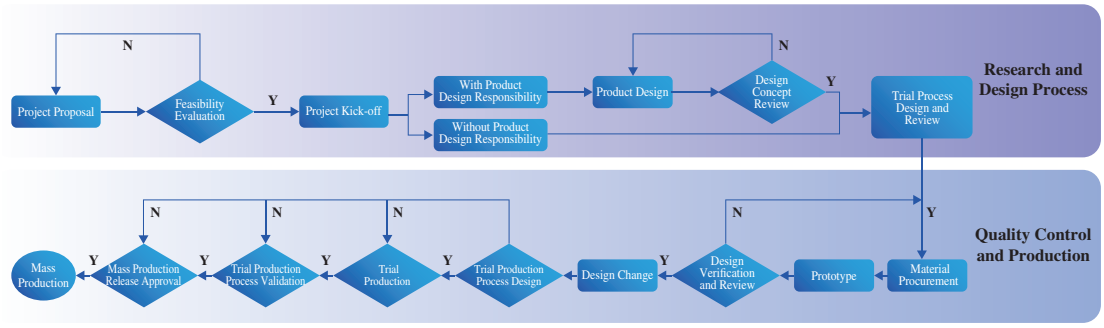
Project Name	Description	Status
Holographic Film Technology	Holographic films enable transparent, panoramic displays in future smart cabins by filtering specific light wavelengths to project images without blocking visibility.	Sample stage
8M glass-plastic hybrid structure technology	8M glass-plastic hybrid structure lenses with MOC simulation design for ADAS/ADS applications, improving cost-effectiveness of 8M camera products.	Sample stage
Optical compensation technology	Micro-nano optical devices for windshield light refraction compensation, achieving versatile and cost-effective imaging clarity enhancement.	Sample stage
Automotive-grade variable aperture technology	Micro self-locking structure for automotive-grade variable aperture, enabling dynamic light sensitivity control under driving conditions.	Sample stage
Sub-micron high-precision laser beam combining technology	Sub-micron high-precision beam, combining tri-color laser spots on the chip for precise multi-color light alignment.	Sample stage

Furthermore, given that automotive-grade technology demands stringent validation and sustained long-term development, we have cultivated deep understanding of technical principles and precise knowledge of core user scenarios through our cumulative micro-innovation R&D approach. This approach ensures high consistency and reliability while significantly improving R&D efficiency and shortening the OEM validation cycle. During the Track Record Period, we conducted an average of over 50 micro-innovation projects annually, with a single R&D cycle of approximately three to six months, which represents an industry-leading timeframe, according to F&S.

During the Track Record Period, we have established long-term collaborations with leading research institutions, universities as well as industry experts and specialized external partners to provide additional technical proficiency to advance our R&D efforts.

R&D Process

We maintain a structured and market-driven approach to R&D management. Each new technology or product begins with an analysis of industry trends and customer requirements, followed by rigorous feasibility studies. The following diagram demonstrates the typical R&D process.



By employing this disciplined R&D framework, we ensure that only projects meeting clearly established technical, commercial and strategic thresholds progress, thereby facilitating effective resource utilization and risk management.

Integrated R&D Platform

Through continuous research and development innovation and vertical integration, we have established three core technology platforms, the optical core technology innovation platform, the opto-mechanical-electro-algorithmic integration platform and the digitalized manufacturing technology platform, which together constitute our integrated technology platform capabilities.

Optical Core Technology Innovation Platform

We continuously innovate across material science, optical design and precision processing, achieving critical breakthroughs in numerous optical technologies. This supports our capabilities in product reliability, application versatility and production consistency, advancing automotive optical performance standards.

Material Science

Our material science capabilities encompass automotive-grade coating technologies, advanced resin material applications and performance-stable adhesive technology that ensure product reliability and durability under extreme automotive operating conditions.

Automotive-grade coating materials: we utilize coating materials that meet automotive-grade requirements as the base materials for our ALD coating process. These specialized coating materials include hydrophilic films that prevent lens fogging in extreme high-humidity environments, as well as sand-resistant films for exterior lenses that ensure durability under extreme conditions.

Advanced resin material applications: we have developed proprietary expertise applying advanced resin materials for vehicle camera products, addressing thermal deformation from extreme temperature variations. Our proprietary MOC simulation design capabilities enable precise prediction and optimization of material performance across diverse operating conditions. Combined with over 20 years of application experience, this delivers superior anti-yellowing and weathering performance under high-temperature and high-humidity conditions, with thermal compensation characteristics exceeding industry benchmarks.

Performance-stable adhesive technology: our proprietary designs incorporate performance-stable adhesive technology, enabling precise control of adhesive thickness and distribution across our product portfolio. For example, in LiDAR applications, this technology ensures consistent optical alignment and signal quality along the laser transmission path across varying environmental conditions, which is critical for maintaining reliable system performance throughout the vehicle's operational lifecycle.

Optical Design

Our optical design capabilities represent innovations across high-resolution imaging systems, advanced lens structures and other optical products that deliver superior performance, cost optimization and enhanced safety across diverse automotive applications.

8M/17M ADAS/ADS camera technology: our 8M/17M ADAS/ADS cameras deliver exceptional imaging resolution and optical performance for advanced autonomous driving systems, providing ultra-high-definition imaging with higher precision and wider dynamic range for ADAS/ADS applications.

Automotive-grade variable aperture technology: we have successfully developed automotive-grade variable aperture technology for camera products, which addresses the critical challenges of insufficient visibility under low-light conditions and overexposure under strong light. This innovative technology enables sensors to deliver high-quality images across various weather and lighting conditions.

π-Mirror chassis blind spot monitoring system: through unique optical design, such as surround view lenses, and optimized installation positioning, this system eliminates potential blind spots under the vehicle, enhancing visual safety performance of the vehicle chassis.

Precision Processing

Our precision processing capabilities deliver critical competitive advantages through advanced coating technologies and proprietary bonding processes that achieve superior optical performance, enhanced reliability and significant cost and efficiency improvements in mass production.

Advance ALD coating process: we have optimized our ALD coating process to maintain ultra-low reflectivity while simultaneously meeting automotive-grade reliability requirements. This advanced coating technology ensures superior optical performance and durability under extreme environmental conditions.

Ultra-high-precision single-pass bonding process: we apply an ultra-high-precision single-pass bonding process for polygons that ensures accurate optical element alignment and superior system precision, achieving bonding precision of 0.01 degree, significantly increasing bonding efficiency and reducing bonded prism costs by over 50% and weight by 50%, while significantly improving LiDAR system operational stability.

Opto-Mechanical-Electro-Algorithmic Integration Platform

Leveraging our integrated opto-mechanical-electro-algorithmic capabilities, we continuously expand innovative optical system applications and have established system-level optical products.

Deep in-cabin software-hardware integration technology: we integrate view and in-cabin products, combining DMS and OMS through automotive domain controller to achieve deep optical and algorithmic integration within cabin environments. Our miniaturized integrated driving fatigue warning system integrates near-infrared lenses, chips and eyeball monitoring functions to achieve millisecond-level drowsiness detection, providing a highly integrated product for in-cabin monitoring.

Active cleaning solution: we have independently developed an active cleaning solution for camera products, with multiple core patents strategically secured. This solution demonstrates significant advantages in power consumption, water spray volume and form factor and is designed for camera cleaning in L3 or above intelligent driving systems.

Full-chain simulation software: we possess simulation capabilities spanning the entire product R&D chain. Our proprietary MOC simulation software enables integrated simulation and optimization of optical, mechanical and thermal performance, enhancing design efficiency. Through high-precision simulation, we identify and mitigate potential issues during the design phase, significantly improving the first-pass success rate and ensuring product performance and reliability.

High-precision point cloud technology: we have independently developed high-precision point cloud technology within our enclosed simulated laboratory environment that effectively addresses environmental challenges across 17 scenarios, including highly reflective surfaces, rain, fog, dust and snow. This technology integrates with LiDAR systems, supporting calibration and visualization functions and can be deployed independently on automotive domain controller for enhanced flexibility.

Color temperature correction technology: we developed a custom color temperature correction technology that maintains consistent PGU color output across extreme temperatures from -40°C to 105°C. This technology compensates for color shifts caused by light source degradation under temperature variations, achieving high color accuracy (±0.015 precision) while processing over 60 units per hour in mass production.

Digitalized Manufacturing Technology Platform

We have developed and implemented proprietary manufacturing technologies that support automotive-grade quality standards, manufacturing precision and operational efficiency. Our digitalized manufacturing system integrates precision assembly, optical calibration and advanced packaging technologies, significantly enhancing production efficiency and quality control. Our digitalized manufacturing technology platform include:

High-precision AA and AIAA equipment: our proprietary high-precision AA equipment employs real-time optical feedback systems to position lenses with micrometer accuracy relative to image sensors during the assembly, achieving superior image quality, optical performance consistency and higher manufacturing yield rates compared to conventional passive alignment methodologies that rely solely on mechanical tolerances. Building on our high-precision AA equipment technology, we have developed AIAA equipment by integrating additional visual technology and real-time information analysis functionality. By deploying such AIAA equipment on our key production lines for visual inspection, our production efficiency increases by approximately 20% compared with conventional equipment while maintaining an overall product yield exceeding 95% as of June 30, 2026.

Single-image calibration systems: we have developed proprietary compact single-image calibration equipment that enables high-precision intrinsic calibration within a minimal scope. This system accommodates camera products with varying FOV, supports multiple calibration types and can integrate distance measurement capabilities. The dual-station operating mode delivers high production throughput with yield rates exceeding 99%, while supporting seamless integration into automated production lines. Our calibration precision meets industry accuracy standards, ensuring consistent optical performance across our product portfolio.

COB packaging: we utilize proprietary COB packaging technology that directly mounts image sensor chips onto PCBAs, replacing traditional chip packaging. This approach delivers multiple performance advantages: (i) reduced package size, (ii) enhanced thermal dissipation and (iii) improved signal integrity and electromagnetic compatibility, resulting in superior imaging performance and enhanced reliability that meets automotive-grade quality and durability standards for camera operating in demanding vehicular environments.

Our integrated R&D platforms enable us to rapidly replicate and extend our capabilities across different application scenarios, customers and vehicle models, allowing us to respond swiftly to customer product development and iteration requirements and supporting the evolution of automotive intelligence technologies.

MANUFACTURING

Over the years, we have established strategic manufacturing operations in both China and overseas markets, enabling us to support capacity expansion, enhance cost efficiency and respond rapidly to our customers' evolving production demands. Our manufacturing operations are characterized by high levels of automation and manufacturing efficiency, with industry-leading automation rates exceeding 90% and yield rates exceeding 95% as of June 30, 2026, at an industry-leading level, according to F&S.

Manufacturing Models

We adopt an in-house production model, performing all critical processes within our own facilities to ensure quality and reliability across vehicle camera products and other vehicle optical products.

Our manufacturing infrastructure comprises high-volume production lines with capacity flexibly allocated to meet customers' various volume requirements. Operating on an order-driven model with rapid changeover capability, our core competitive advantage lies in delivering tailored products for diverse customer needs. This flexibility is underpinned by our platform-based development architecture, which enables modular scalability across different product lines. For instance, our production lines for LiDAR can be configured for both long-range and mid-to-short-range LiDAR applications, supporting high production line commonality while maintaining manufacturing flexibility across varying sensing ranges. This modular approach delivers multiple strategic benefits: reduced development cycles, enhanced adaptability across product variants and consistent performance and quality standards throughout our portfolio.

Our capabilities encompass complete manufacturing chain from components to modules and systems, covering critical processes including coating and surface hardening, SMT mounting, COB packaging, lens production, high-precision AA for modules and complete system assembly and calibration. All these critical processes are independently developed and executed in-house. Our production and testing equipment adheres to industry-standard specifications to ensure precision, consistency and reliability throughout the manufacturing process.

Manufacturing Bases

As of the Latest Practicable Date, we operated two manufacturing bases in Yuyao, Zhejiang province, primarily focused on production of vehicle camera products and other vehicle optical products, and two manufacturing bases in Vietnam, which are located in Phu Tho and Nghe An provinces, respectively, dedicated to production of vehicle camera products, mainly serving our overseas customers. This manufacturing system enhances our production capacity and our ability to offer tailored services to customers while ensuring supply chain resilience and localized delivery capabilities.

The following table sets forth the details of our manufacturing bases during the Track Record Period:

Name	Location	Year of commencement of operation	Key functions
Yuyao manufacturing base I	Yuyao, Zhejiang Province, China	August 2004	Production of vehicle camera products and other vehicle optical products
Yuyao manufacturing base II	Yuyao, Zhejiang Province, China	July 2016	Production of vehicle camera products
Phu Tho manufacturing base	Phu Tho Province, Vietnam	February 2020	Production of vehicle camera products
Nghe An manufacturing base	Nghe An Province, Vietnam	December 2024	Production of vehicle camera products

Production Capacity and Utilization

The following tables set forth the details of our annual production capacity, production volume and production utilization rate of vehicle camera products during the Track Record Period.

	2023	2024	2025	Six months ended June 30, 2026
Production Capacity				
Vehicle camera products				
Sensing products (million units)	72.5	78.2	115.1	52.3[2]
Cabin products (million units)	58.9	69.1	91.0	49.3
Production Volume				
Vehicle camera products				
Sensing products (million units)	52.3	57.4	87.9	36.5
Cabin products (million units)	44.5	55.4	76.3	40.4
Production Utilization Rate[1]				
Vehicle camera products				
Sensing products (%)	72.1	73.4	76.4	69.9
Cabin products (%)	75.6	80.2	83.8	82.0

Notes:

(1) Our production utilization rate is calculated by production volume divided by production capacity.

(2) Our production capacity of sensing products was at a relatively lower level in the six months ended June 30, 2026 as compared to that in 2025, primarily due to strategic adjustments we made to our production.

The following tables set forth the details of our annual production capacity and production utilization rate by production facility during the Track Record Period.

	2023	2024	2025	Six months ended June 30, 2026
Production Capacity (million units)				
Yuyao manufacturing base I	101.8	107.3	152.9	69.8
Yuyao manufacturing base II	10.4	11.6	15.2	9.0
Phu Tho manufacturing base	19.3	28.5	31.6	15.5
Nghe An manufacturing base[(1)]	–	–	6.5	7.2
Production Utilization Rate (%)				
Yuyao manufacturing base I	73.3	75.4	79.5	77.4
Yuyao manufacturing base II	60.0	73.0	75.0	57.8
Phu Tho manufacturing base	81.0	82.5	89.0	86.6
Nghe An manufacturing base[(1)]	–	–	48.2	58.8

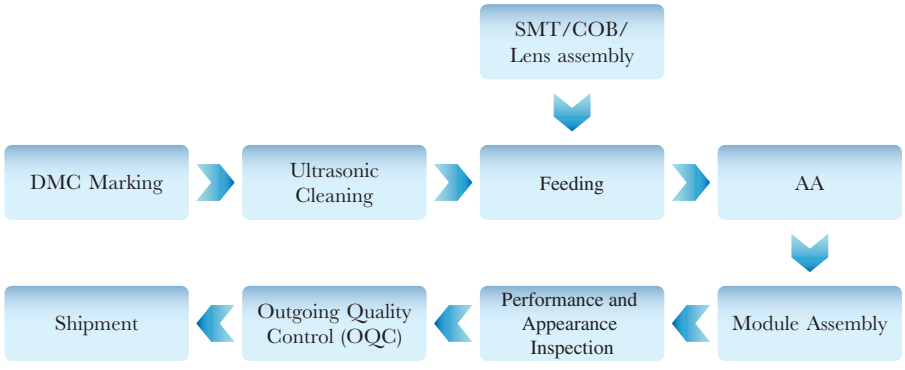
Note:

(1) The production utilization rate of our Nghe An manufacturing base increased steadily since it commenced operation in December 2024.

Manufacturing Process

We possess both large-scale, high-volume manufacturing capabilities and flexible manufacturing systems capable of accommodating diverse product types in small batches. Our advanced production lines support rapid changeovers and mixed-model manufacturing processes, allowing us to efficiently switch between different products and production runs in response to customer requirements.

The manufacturing process for vehicle camera products is shown in the following diagram.



The typical production cycle as depicted above for vehicle camera products takes approximately three to four and a half days, depending on product type.

Manufacturing Equipment and Machinery

Our advanced manufacturing equipment and machinery are essential for enhancing product quality and cost competitiveness. Our manufacturing bases are equipped with a diverse range of machinery and equipment to support our manufacturing process. Our directors believe that the specifications and scale of our equipment are consistent with prevailing industry standards.

The following table provides certain details of our principal machinery and equipment as of June 30, 2026.

Name of the machinery and equipment	Number of units	Average designed useful life	Remaining useful life
		(Years)	*(Years)*
SMT Production Line	9	10	7.5
COB Production Line	6	10	8.5
Assembly and Testing Line	175	10	6

QUALITY CONTROL

We have established a traceability system to achieve tracking of the product lifecycle, ensuring high product yield by focusing on initial designs and production process. Our system is designed to comply with rigorous industry standards, mainly including the IATF 16949 quality management standard for the automotive sector. We have dedicated quality management departments, including Quality Assurance Department (品質保證部), Supplier Quality Department (供應商質量部) and Pre-production Quality Department (先期質量部). These departments are integral to our entire product lifecycle, ensuring rigorous quality control from initial design to final production. Our quality control system focuses on the following key aspects:

- *Product development:* we embed quality control into the earliest stages of our product lifecycle. Our quality standards for the entire production process are established during the initial product planning and design phase. Our Pre-production Quality Department is responsible for conducting detailed process testing during the project development stage. Guided by IATF 16949 standards, this involves proactively identifying risks in both product design and manufacturing. These risk points are then communicated to the production department alongside clear requirements for each process, ensuring the feasibility and reliability of our manufacturing techniques. A product may only proceed to mass production after the successful completion of these rigorous preliminary assessments, ensuring the integrity of the design and development outcomes.

- *Raw material and supplier management:* we have implemented a systematic approach to managing the quality of our supply chain, overseen by our dedicated Supplier Quality Department. For incoming materials, we primarily employ a statistical sampling inspection method to ensure they meet our specifications. Our supplier qualification process is exceptionally thorough, containing quality control conducted by us and our main customers. We conduct strict quality control of our suppliers through third-party audits performed by independent qualification bodies and our main customers conduct quality control of our key suppliers. This dual approach helps us to ensure that our suppliers consistently adhere to the highest quality standards required by the automotive industry.

- *Manufacturing:* we exercise strict control over our manufacturing processes, which are conducted in-house to ensure consistent quality and oversight. Our key processes, such as SMT, must adhere strictly to IATF 16949 standard and are subject to special audits by our customers. For customized projects, our customers conduct targeted audits at various project stages, such as before nomination, prior to mass production and as part

of annual supervision. These audits may have specific objectives, including new process evaluations, production capacity verification, or quality traceability, ensuring that every stage of production complies with the standards. We employ a comprehensive inspection strategy rather than sampling during production. In an early screening stage for our product, we use accelerated testing methods, such as high-temperature aging and electrical stress loading, to proactively identify and remove potentially unreliable components. This commitment is guided by our "zero defect" manufacturing philosophy. When defects are identified, they are thoroughly analyzed. For any issues that do not affect the product's end use, we conduct a Deviation Permission on Standard analysis to ensure all requirements are still met. Our Quality Assurance Department is responsible for monitoring process quality, managing customer quality engineering and maintaining the integrity of our quality system throughout the manufacturing cycle.

- *Product delivery and after-sales service:* we implement final quality checks before they are delivered to customers. Our commitment to quality extends to post-delivery performance, which we monitor through two key metrics: zero-kilometer failure (issues arising before a vehicle leaves the assembly plant) and market failure (issues reported after a vehicle is sold). Our zero-kilometer failure rate is maintained at a single-digit ppm level, which is less than 3.5ppm (parts per million). We have a dedicated team managing customer complaints.

- *Control of non-conforming items:* we have established clear procedures for managing any products or components that do not meet our quality standards. When a non-conformity is identified, we initiate a failure analysis process to determine the root cause and assign responsibility. If a process-related fault is confirmed, the relevant party is held accountable in accordance with our quality assurance agreements. We ensure that any non-conforming items are properly handled to prevent their unintended use or delivery.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any batch product recalls or major quality-related disputes, and there were no product liability claims or material product returns.

SALES, MARKETING AND CUSTOMERS

Sales And Marketing Strategy

We invest in marketing, sales and distribution to promote our products and services. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our selling and distribution expenses amounted to RMB64.7 million, RMB66.3 million, RMB85.3 million, RMB39.8 million and RMB40.0 million, respectively, representing 1.2%, 1.1%, 1.2%, 1.2% and 1.1% of our total revenue during the same periods.

Our sales teams are responsible for providing one-stop services to our customers. As of June 30, 2026, we had 204 employees in sales. We require our sales personnel to possess not only sales, marketing and customer service experience, but also in-depth product knowledge.

We place emphasis on customer relationships and the development of effective sales channels, which we regard as key drivers of our growth and profitability. We employ a range of strategies to develop and broaden our customer base, including regular customer visits, participation in industry networking events and other targeted marketing initiatives. Typically, we must complete a rigorous customer qualification process before being included on a customer's approved supplier list and becoming eligible to bid for projects. We obtain orders primarily through tendering processes and price negotiations.

Leveraging our industry experience and market insights, we also identify prospective high-demand product opportunities and propose corresponding products and service packages to customers, thereby initiating research, design, production and delivery. We generally maintain long-term and stable business relationships with our key customers.

Pricing

We adopt a straightforward pricing model whereby each standalone vehicle optical product is priced and sold individually. We do not bundle optical products or services for sale. We consider various factors such as market demand, product competitiveness, market competition dynamics and cost of the products and services, when formulating our pricing policies. To address diverse market conditions, we may implement differentiated pricing strategies tailored to factors such as industry characteristics, regional competitive landscapes and customer budget considerations. These measures aim to enhance our market competitiveness while maintaining the stability of our overall pricing framework.

Sales Model

Our commercial arrangements with our customers are generally governed by ongoing framework agreements and rolling forecasts. However, for emerging LiDAR and HUD business lines, where design win is a recognized indicator of commercial progress at an earlier stage of market development, and we have secured three LiDAR design wins and five HUD design wins as of June 30, 2026.

Direct Sales

We put significant emphasis on maintaining close relationships with our customers and keeping abreast of market developments. Accordingly, we have adopted a direct sales model, supplying products mainly to Tier-1 suppliers and OEMs. We do not sell products directly to end consumers. We formulate credit policies for different customers, taking into account a range of factors, including the customer's brand strength, operational scale, payment history and length of collaboration. With localized services in China and overseas, we provide customers with rapid, professional technical support and ensure efficient, reliable customer service throughout the product lifecycle. We believe these overseas offices will facilitate enhanced communication and faster response times to our customers in key markets. We maintain a detailed database of existing and potential customers containing information on product requirements and credit history, which enables us to develop targeted and appropriate marketing strategies. During the Track Record Period, direct sales made by us to our customers constituted approximately 95.4%, 95.9%, 96.2%, 96.2% and 96.7% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

Distributors

During the Track Record Period, we sold our products through three distributors, which contributed to an insignificant amount of our total revenue. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, revenue attributable to the sales to our distributors represented approximately 4.6%, 4.1%, 3.8%, 3.8% and 3.3% of our total revenue, respectively. We maintain a seller/buyer relationship with our distributors. To the best of our knowledge and as confirmed by our Directors, two of these three distributors are Independent Third Parties. We entered into a written distributorship agreement with one of these two distributors in November 2020, and did not enter into distributorship agreement with the other distributor (except purchase orders) in line with the established custom and historical practice between the parties. The remaining distributor is our Connected Party. See "Connected Transactions" for further details. We did not offer any sales rebate or other incentives to these distributors. These distributors do not engage any sub-distributors. According to F&S, this practice is not uncommon in the relevant industry.

Although we normally negotiate sales terms directly with such end-customers, we invoice and deliver our products to these distributors. Our distributors do not hold inventories and we do not allow product returns except for product defects. During the Track Record Period, there was no product return from these distributors. These arrangements are in place principally to satisfy the procurement requirements of such end-customers, which led us to believe that the risk of channel stuff is minimal. The distributors are responsible for any payment defaults by the end-customers.

Set forth below is a summary of the major terms in our agreements with distributor.

Duration	One (1) year, automatically renewed for each one (1) year period unless either party delivers a written notice to the other party at least six (6) months prior to the expiration of the applicable term.
Payment and credit term	Payment within sixty (60) calendar days after the end of the month of relevant invoice date.
Logistics and transfer of risks	Cost, Insurance and Freight (CIF) distributor's designated port in accordance with INCOTERMS 2010; risk of loss or damage passes from us to the distributor at the time of delivery pursuant to INCOTERMS 2010.
Minimum order requirement	No minimum order requirement specified; distributor issues individual purchase orders which we shall acknowledge.
Target performance	Distributor shall make reasonable efforts to maintain existing customers and to develop new customers.
Pricing	Unit price of each product determined by consultation between both parties.
Return policies	No product returns unless there are product defects as specified in the agreement. In case distributor notifies us of such defects, we shall, at our expense, take all necessary countermeasures as specified in the agreement.

The following table sets forth a breakdown of our revenue by sales channel in each period of the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)									
							(Unaudited)			
Direct sales	5,020,143	95.4	5,743,697	95.9	6,918,555	96.2	3,225,489	96.2	3,580,165	96.7
Sales to distributors	242,061	4.6	245,560	4.1	270,285	3.8	126,529	3.8	121,440	3.3
Total	5,262,204	100.0	5,989,257	100.0	7,188,840	100.0	3,352,018	100.0	3,701,605	100.0

Quality Warranty

We generally provide a warranty for our products for a period of five years or 100 thousand kilometers driven in the underlying vehicles, whichever occurs first. During the warranty period, our customers may request our technical specialists to replace or repair defective parts and

components free of charge. If any of our products have a material structural or mechanical defect, as examined and confirmed by our technicians, we will, at the request of the relevant customer, replace the product or its components. Upon expiry of the warranty period, we provide repair and maintenance services and supply parts and components to our customers for a fee, which is determined with reference to the scope of services and raw materials and components required.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from our customers.

Our Customers

We have a global customer base. Our customers primarily consist of Tier-1 suppliers and OEMs. Our revenue contribution from the top 10 global tier-1 suppliers ranked based on sales value and the top 20 global OEMs ranked based on sales volume in each period during the Track Record Period amounted to RMB2,152.2 million, RMB2,180.1 million, RMB2,136.3 million and RMB886.7 million, accounting for 40.9%, 36.4%, 29.7% and 24.0% of of our revenue for the same periods, respectively. The table below sets forth a breakdown of revenue by type of customer in each period of the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)									
							(Unaudited)			
Tier-1 and other suppliers	4,136,067	78.6	4,314,703	72.0	5,520,303	76.8	2,598,303	77.5	2,866,871	77.4
OEMs	1,126,137	21.4	1,674,554	28.0	1,668,537	23.2	753,715	22.5	834,734	22.6
Total	5,262,204	100.0	5,989,257	100.0	7,188,840	100.0	3,352,018	100.0	3,701,595	100.0

The following factors determine whether we sell to Tier-1 suppliers or directly to OEMs:

(i) Product Type and Degree of Integration

In terms of degree of integration, vehicle lenses and similar optical components are standalone items with lower degrees of component integration, whereas vehicle camera modules comprise optical components together with structural parts (such as front housings, bases and outer casings) and electronic parts (such as automotive-grade chips, PCBs and serializers), and accordingly involve a significantly higher degree of component integration. Therefore, vehicle lenses and similar optical components are primarily sold to Tier-1 suppliers, who integrate them into finished modules or systems before delivery to OEMs, whereas camera modules and other products with similarly high degree of integration are more commonly sold directly to OEMs.

(ii) Individual Customer Procurement Practices and Internal Policies

Whether we transact with a Tier-1 supplier or directly with an OEM is also subject to the procurement practices and internal policies of individual customers. Certain customers, by virtue of their established supply chain arrangements, prefer to procure through Tier-1 suppliers, while others engage directly with us.

(iii) Geographical Market Dynamics

Our overseas sales, which accounted for 55.1%, 48.2%, 40.8%, 44.3% and 42.8% of total revenue in the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, are conducted predominantly through Tier-1 suppliers, reflecting the more entrenched Tier-1-supplier-led supply chain structures in overseas automotive markets, which are characterized by a traditional automotive industry system with a more clearly defined division of labor. Domestic sales, by contrast, tend to have a higher proportion sold directly to OEMs, reflecting the newer, more direct supply chain model adopted by Chinese NEV manufacturers.

Our business model does not differ materially depending on whether we transact with a Tier-1 supplier or directly with an OEM.

For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, sales to our largest customer in each period of the Track Record Period accounted for 14.7%, 13.5%, 8.8% and 8.2% of our revenue, respectively, while our five largest customers in each period of the Track Record Period accounted for 56.5%, 47.7%, 36.4% and 35.1% of our revenue, respectively.

The tables below set forth the details for each of our five largest customers in each period of the Track Record Period.

Rank	Customer	Products Purchased	Transaction Amount	Percentage of Total Revenue	Business Relationship Since	Business Background
			(RMB in thousand)	*(%)*		
For the Year Ended December 31, 2023						
1	Customer A	Vehicle camera products	774,407	14.7	2010	A company listed on New York Stock Exchange and Tokyo Stock Exchange primarily engaged in design, engineering and production of automotive components and vehicles based in Canada.
2	Customer B	Vehicle camera products	707,083	13.4	2021	A company listed on Nasdaq and Hong Kong Stock Exchange primarily engaged in design, R&D, manufacturing and sales of NEVs based in China.
3	Customer C	Vehicle camera products	594,517	11.3	2015	A private company primarily engaged in ADS based in Germany.
4	Customer D	Vehicle camera products	507,896	9.7	2014	A company listed on Euronext Paris primarily engaged in design, production and sale of automotive components and systems based in France.
5	Customer E	Vehicle camera products	390,654	7.4	2010	A company listed on Frankfurt Stock Exchange primarily engaged in ADAS solutions based in Germany.
	Total		**2,974,557**	**56.5**		

Rank	Customer	Products Purchased	Transaction Amount	Percentage of Total Revenue	Business Relationship Since	Business Background
			(RMB in thousand)	*(%)*		
For the Year Ended December 31, 2024						
1	Customer B	Vehicle camera products	811,301	13.5	2021	A company listed on Nasdaq and Hong Kong Stock Exchange primarily engaged in design, R&D, manufacturing and sales of NEVs based in China.
2	Customer A	Vehicle camera products	631,063	10.5	2010	A company listed on New York Stock Exchange and Tokyo Stock Exchange primarily engaged in design, engineering and production of automotive components and vehicles based in Canada.
3	Customer C	Vehicle camera products	556,623	9.3	2015	A private company primarily engaged in ADS based in Germany.
4	Customer D	Vehicle camera products	470,810	7.9	2014	A company listed on Euronext Paris primarily engaged in design, production and sale of automotive components and systems based in France.
5	Customer E	Vehicle camera products	389,787	6.5	2010	A company listed on Frankfurt Stock Exchange primarily engaged in ADAS solutions based in Germany.
	Total		**2,859,584**	**47.7**		
For the Year Ended December 31, 2025						
1	Customer B	Vehicle camera products	636,055	8.8	2021	A company listed on Nasdaq and Hong Kong Stock Exchange primarily engaged in design, R&D, manufacturing and sales of NEVs based in China.
2	Customer A	Vehicle camera products	567,527	7.9	2010	A company listed on New York Stock Exchange and Tokyo Stock Exchange primarily engaged in design, engineering and production of automotive components and vehicles based in Canada.
3	Customer C	Vehicle camera products	524,305	7.3	2015	A private company primarily engaged in ADS based in Germany.
4	Customer F	Vehicle camera products	472,628	6.6	2020	A private company primarily engaged in providing information and communication technology infrastructure and smart devices based in China.

Rank	Customer	Products Purchased	Transaction Amount	Percentage of Total Revenue	Business Relationship Since	Business Background
			(RMB in thousand)	*(%)*		
5	Customer D	Vehicle camera products	418,193	5.8	2014	A company listed on Euronext Paris primarily engaged in design, production and sale of automotive components and systems based in France.
	Total		**2,618,708**	**36.4**		
For the Six Months Ended June 30, 2026						
1	Customer D	Vehicle camera products	303,579	8.2	2014	A company listed on Euronext Paris primarily engaged in design, production and sale of automotive components and systems based in France.
2	Customer A	Vehicle camera products	299,542	8.1	2010	A company listed on New York Stock Exchange and Tokyo Stock Exchange primarily engaged in design, engineering and production of automotive components and vehicles based in Canada.
3	Customer B	Vehicle camera products	279,838	7.6	2021	A company listed on Nasdaq and Hong Kong Stock Exchange primarily engaged in design, R&D, manufacturing and sales of NEVs based in China.
4	Customer C	Vehicle camera products	233,556	6.3	2015	A private company primarily engaged in ADS based in Germany.
5	Customer G	Vehicle camera products	181,409	4.9	2018	A company listed on New York Stock Exchange primarily engaged in design, development, engineering and manufacturing of automotive electrical systems and ADAS based in Switzerland.
	Total		**1,297,924**	**35.1**		

As of the Latest Practicable Date, none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest customers.

Set forth below is a summary of the major terms in our agreements with our key customers.

Duration	The agreement typically has an indefinite term.
Technical specifications	Our customers typically set forth specific product specification requirements for products ordered, such as product name, specification, model, quantity, amount and technical standard (including quality requirements).

Deliverables	Products are delivered in accordance with the specifications set forth in each purchase order.
Payment and credit term	Our customers are typically required to settle payment within 90 to 120 days after receipt of products.
Product liability	Our liability is capped at the amounts already received, with no liability for indirect or consequential losses. Where defects arise from customer-designated materials or designs, liability rests with the customer.
Product returns	The customer must inspect goods upon delivery and raise any written objections within the stipulated inspection period, failing which goods are deemed accepted. Remedies for non-conforming goods include quantity top-ups, removal of excess goods, or discounted absorption.
Order cancellation	Orders may only be cancelled by written mutual agreement. We may terminate unilaterally if the customer breaches the agreement, becomes insolvent, or undergoes material adverse changes. Force majeure events lasting more than 30 days also entitle us to terminate without liability.
Intellectual property	For custom-made products, intellectual property rights arising from our design and development work, as well as subsequent improvements to the relevant technology, are solely owned by us. For standard products, all intellectual property rights are solely owned by us.
Product acceptance	Customers are required to inspect delivered products within the period specified in the agreement. If the quantity or quality of products is found to be inconsistent with the order, customers must notify us in writing promptly. Failure to inspect or provide written objection within the specified period is deemed acceptance of the products.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of our contractual agreements with our major customers.

Trade policies and Tariff

Between February and April 2025, the current U.S. administration implemented tariffs on several major trading partners, including China, with a baseline tariff of 10% for imports from all countries and an additional individualized reciprocal tariff for imports from countries with which the United States has the largest trade deficits. On April 9, 2025, the U.S. President announced that the reciprocal tariffs would be paused for 90 days on trading partners who did not retaliate after such policy took effect, but the 10% baseline tariff would apply to nearly all other U.S. trading partners. Tariffs on imports from China, increased and fluctuated significantly after April 2025, as the two countries implemented retaliatory tariffs.

During the Track Record Period, various U.S. tariff measures applied to our products exported from China, although only the first was consistently in effect throughout: (a) under Section 301 of the Trade Act of 1974 (as amended) ("**Section 301 Tariffs**"), tariffs of between 7.5% and 25% depending on the product, and (b) under the International Emergency Economic Powers Act ("**IEEPA Tariffs**"), 20% fentanyl-related tariffs from February 2025 for all products (reduced to 10% in November 2025), and "reciprocal" tariffs from April 2025 for all products fluctuating

between 10% to 145% pursuant to ongoing U.S.-PRC trade talks. Our lens sets classified under HTS codes 8424.89.9000 or 8424.90.9080 fall within the scope of tariffs imposed under Section 232 of the Trade Expansion Act of 1962 (the "**Section 232 Tariffs**") on derivative products of non-U.S. origin steel and aluminum. However, we have confirmed to our International Sanctions Legal Advisor that our lens sets do not contain any steel or aluminum. Our International Sanctions Legal Advisor has accordingly advised that Section 232 Tariffs should not be payable in respect of these products. Our products exported from Vietnam were subject to 46% "reciprocal" IEEPA Tariffs since April 2025; these IEEPA Tariffs were reduced to 20% in October 2025.

On February 20, 2026, the U.S. Supreme Court ruled that the IEEPA Tariffs exceeded the U.S. President's statutory authority, and the U.S. President issued an executive order ending those tariffs with immediate effect. On the same day, the U.S. President issued a proclamation imposing a temporary 150-day, 10% ad valorem duty on all imported articles under Section 122 of the Trade Act of 1974 (as amended) ("**Section 122 Tariffs**"), effective February 24, 2026.

The Section 122 Tariffs expired after 150 days on July 24, 2026. From the same day, the U.S. administration imposed forced labor-related tariffs of 10-12.5% on goods imported from 60 economies, targeting 99% of U.S. imports, including China ("**Section 301 Forced Labor Tariffs**"). Under the Section 301 Forced Labor Tariffs regime, imports from China and Vietnam are subject to a 12.5% additional tariff on top of existing applicable duties.

As of the Latest Practicable Date, as advised by our International Trade Legal Advisor, the following U.S. tariffs apply to our products exported from China: (a) Section 301 Tariffs of 7.5% on our projection light modules and 25% on our LiDAR cases, lens modules, lens sets, vehicle camera modules, optical lenses, lens assemblies (but, under an exclusion mechanism administered by the United States Trade Representative, Section 301 Tariffs do not apply to our lens sets classified under HTS code 8424.90.9080), and (b) Section 301 Forced Labor Tariffs of 12.5% on all products. On all our products exported from Vietnam, only the 12.5% Section 301 Forced Labor Tariffs apply.

Although we derived a substantial proportion of revenue from North America during the Track Record Period, the additional U.S. tariffs imposed on us did not have a material adverse effect on our business operations or financial condition during the Track Record Period and up to the Latest Practicable Date. This was due in part to our negotiations with customers that allowed us to distribute additional costs to them. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, the revenue generated from the U.S. accounted for 13.7%, 11.3%, 9.1% and 8.6% of the total revenue, respectively. During the Track Record Period, all U.S. tariffs were borne by our customers and we did not pay any U.S. tariffs.

We have not experienced any material order cancellations, customer losses, or margin compression following the tariff announcement in February 2025 and up to the Latest Practicable Date. We currently do not have any specific plans to expand our sales in the U.S. We expect that our existing commercial agreements, in which customers are responsible for tariffs, will mostly continue in the foreseeable future. At the same time, our global presence affords us the flexibility to adjust our global production capabilities and enables us to effectively manage our overall tariff costs. Our global operational experience enables us to make precise commercial judgments and informed decisions, as well as to adapt our strategies as necessary. We continue to monitor changes in global tariff policies and leverage our domestic and international production capabilities to reduce their impact on our operations. Based on the above, and as advised by our International Trade Legal Advisor, we believe that the additional U.S. tariffs as of the Latest Practicable Date will not have a material adverse impact on our business operations, financial performance and expansion plans.

Additionally, during the Track Record Period, (i) tariff rates in other countries/regions that the Group have remained relatively stable; (ii) our customers generally bore other tariffs as part of our arrangements with them; and (iii) to the best knowledge of the Company, there is no indication that tariffs imposed by other countries/regions will change in the foreseeable future. Accordingly, the applicable tariffs imposed by other countries/regions have not had, and are not expected to have, any material adverse impact (whether directly or indirectly) on the Group's business operations, financial performance and expansion plans.

In the case that the U.S. government or other countries continues to impose additional tariffs on imports from China and Vietnam, we have developed a detailed set of mitigation strategies to manage the potential impact on our business operations and financial performance, including: (i) sharing the additional costs with customers, as demonstrated during the Track Record Period; (ii) evaluating opportunities to further diversify our global manufacturing footprint by establishing production capabilities in alternative jurisdictions with favorable trade relationships with the U.S.; (iii) optimizing our supply chain through increased local sourcing and supplier negotiations to offset tariff-related cost increases; and (iv) maintaining continuous monitoring of trade policy developments through a dedicated cross-functional team to enable agile responses to changing tariff environments. Based on these strategies, and as advised by our International Trade Legal Advisor on the abovementioned U.S. tariffs risks, we believe that we are well-positioned to manage the potential impact of future tariff increases and that such increases would not have a material adverse impact on our business operations, financial performance or strategic expansion plans. Having considered the above view from us and the International Trade Legal Advisor and after undertaking the relevant due diligence, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to cast doubt on our view set out above.

International Sanctions

Certain countries or organizations, including the U.S., the European Union, the United Kingdom, and the United Nations, maintain economic sanctions and trade restrictions targeting certain countries, individuals, entities as well as industries or sectors within countries/regions.

During the Track Record Period, we derived a limited amount of revenue from customers designated on the Entity List maintained by the U.S. Department of Commerce, Bureau of Industry and Security (the "BIS"). The revenue derived from such customers amounted to RMB58.2 million, RMB148.2 million, RMB42.3 million and RMB1.8 million in the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, accounting for 1.1%, 2.5%, 0.6% and 0.04% of our total revenue for the same periods. Our International Trade Legal Advisor has advised that these sales activities should not give rise to material risks under applicable U.S. export control laws because (i) none of our products is a "direct product" of specified "technology" and "software" in accordance with U.S. export control regulations, (ii) none of our products contains any level of "controlled" U.S.-origin items to subject its products to license requirements for sale to PRC customers, and (iii) none of its products were sold to any entity on the BIS Entity List in violation of U.S. export control regulations. We expect to continue transactions with our Entity List customers in the ordinary course of its business operations going forward. As advised by our International Trade Legal Advisor, a transaction with an entity on the U.S. Entity List does not, by itself, violate U.S. export control laws. We have established and maintain robust internal control measures to ensure that our transactions with Entity List customers comply with applicable laws and regulations. These measures include, among others: (i) regular screening and monitoring of our customer and supplier base against applicable sanctions and export control lists; (ii) assessment of the Group's products against the EAR's jurisdictional criteria to confirm that the products are not subject to the EAR; (iii) obtaining and acting upon legal advice from external legal advisors on applicable U.S. export control requirements; and (iv) ongoing review and updating of our internal compliance policies and procedures to reflect developments in applicable trade laws and regulations. We believe these internal controls are adequate and effective in ensuring compliance with applicable export control and sanctions requirements.

As advised by our International Trade Legal Advisor, our Directors confirm that we complied with applicable laws in the jurisdictions where we have operations during the Track Record Period and up to the Latest Practicable Date.

As advised by our International Trade Legal Advisor, our Company is not a Sanctioned Target, or located, incorporated, organized or resident in a Sanctioned Country; and our business activities during the Track Record Period do not qualify us as a Sanctioned Trader for the purposes of Chapter 4.4 of the Guide.

For the purpose of Chapter 4.4 of the Guide, our International Trade Legal Advisor has further advised that our business activities did not constitute Primary Sanctioned Activity or Secondary Sanctionable Activity.

We acknowledge that International Sanctions risks associated with our business activities cannot be completely excluded due to the fast-evolving International Sanctions regimes. However, we expect such risks to remain low and manageable given the nature of our products and end users, and they may be further mitigated to the extent that we can demonstrate compliance with International Sanctions and implement our internal control measures to minimize International Sanctions risks, which include:

(a) Continuing to implement and maintain Sunny Optical Technology Group's Trade Control Compliance Policy after the [**REDACTED**].

(b) Ensuring ongoing screening and transaction controls, including risk-based screening of all customers, suppliers, distributors, freight forwarders and other counterparties against sanctions/control lists, verification of all transaction types for sanctioned countries, entities and individuals, and pre-execution license determinations where required.

(c) Incorporating and continuing to enforce sanctions and export control representations, undertakings and termination/remedy clauses in contracts with customers, suppliers, and other counterparties to support compliance and facilitate audit and information rights.

(d) Conducting periodic training for management and relevant teams, maintain training records, and update content to reflect evolving laws and regulatory guidance.

(e) Continuing robust recordkeeping of trade control documentation and diligence records for at least five years (or longer as required by law) and ensure documents are organized, retrievable, and available for inspection.

Our International Trade Legal Advisor has reviewed and evaluated these internal control measures and is of the view that these measures, insofar as they can be strictly implemented by our Group, would be adequate and effective for our Company to comply with the applicable International Sanctions laws.

Import Controls

In addition to export controls, the U.S. has introduced import controls in relation to certain connected vehicles and related hardware or software with a Chinese or Russian nexus. On January 16, 2025, BIS implemented the final rule of Securing the Information and Communications Technology and Services Supply Chain: Connected Vehicles (the "**CV Rule**"), which went into effect on March 17, 2025. Under the CV Rule, subject to certain exceptions, U.S. persons are prohibited from knowingly importing or selling into the United States (i) certain covered vehicle connectivity systems ("**VCS**") hardware known in the CV Rule as "VCS hardware" or (ii) completed connected vehicles that incorporate software that supports the function of VCS or automated driving software ("**ADS**") known in the CV Rule as "covered software".

Under the CV Rule, VCS refers to the hardware and software in a car that let it communicate wirelessly with the outside world (e.g., telematics control units, cellular modems, Bluetooth, Wi-Fi, and satellite communication modules), specifically covering off-board communication above 450 MHz. It excludes components that only handle one-way signals, automotive sensing, keyless-entry ultrawideband, or power management. The purported aim of regulating VCS under the CV Rule is that this connectivity hardware and software could let a foreign adversary of the U.S. extract sensitive vehicle data or remotely manipulate the car if compromised.

Under the CV Rule, VCS hardware importers are prohibited from knowingly importing into the U.S. any VCS hardware that is designed, developed, manufactured, or supplied by entities subject to influence by the Chinese or Russian governments. Connected vehicle manufacturers are prohibited from knowingly selling within the U.S., or importing into the U.S., completed connected vehicles that incorporate covered software that is designed, developed, manufactured, or supplied by entities subject to influence by the Chinese or Russian governments. Our International Trade Legal Advisor has advised that the foregoing prohibitions only apply to VCS hardware importers and connected vehicle manufacturers who are "U.S. persons," defined in the CV Rule to include any entity organized under U.S. law. None of our Group's entities (or their branches) are organized under the laws of the United States or any jurisdiction within the United States and therefore none are U.S. persons. As such, as advised by our International Trade Legal Advisor, our Group is not subject to the foregoing prohibitions.

Our International Trade Legal Advisor has also advised that the CV Rule should not affect our U.S. customers, because our products sold during the Track Record Period and up to the Latest Practicable Date should not be classified as "VCS hardware" or "covered software" subject to the CV Rule's restrictions. In particular, our International Trade Legal Advisor has advised that:

- None of our products should constitute "VCS hardware," because none of them enables the function of transmission, receipt, conversion, or processing of radio frequency communications at a frequency of over 450 megahertz, receives or processes any radio waves, or otherwise directly enable any ADS functions.

- None of the Group's products should constitute "covered software." The ADS functions in vehicles incorporating our products are ultimately controlled, monitored and enabled through third party algorithms.

Therefore, our Directors are of the view that the CV Rule does not have any material and adverse impact on our business operation, financial performance or future prospects.

PROCUREMENT AND SUPPLIERS

Procurement Model

Our primary raw materials include optical materials and components (such as resin and lenses), electronic components (such as image sensors and PCBAs) and structural components (such as housing and mounting brackets). We generally adopt a make-to-order procurement model, formulating and executing procurement plans based on customer demand forecasts and confirmed purchase orders. Our procurement is principally conducted under two models: our standard procurement model and a customer-designated procurement model.

- *Standard procurement model:* under this model, we independently select and manage qualified suppliers. We systematically evaluate prospective suppliers against a range of criteria, including their quality systems (Quality), pricing (Cost), delivery capabilities (Delivery), service levels (Service) and technical expertise (Technology) ("**QCDST**"), which we refer to as our QCDST framework. We also assess their financial and legal compliance, manufacturing capacity and willingness to cooperate.

- *Customer-designated procurement model:* our end-customers may designate the supplier for certain critical components. This is typically driven by the customer's own product design and technical requirements. In these situations, while the choice of supplier is directed by the customer, we generally remain responsible for managing the supplier relationship, seeking to optimize processes and ensuring the supplier's performance aligns with our production schedules and quality standards.

Procurement Policy and Procedure

We have a well established procurement system with a series of internal policies and procedures to govern our procurement activities. We maintain a qualified suppliers list and conduct ongoing management of our suppliers through regular performance evaluations to ensure the quality and reliability of our supply chain. Our procurement operations follow a structured four-step process: demand input, internal approval, order placement and payment. This is guided by a monthly procurement plan, which is generated using customer demand forecasts from the marketing department and the production schedule from the manufacturing department. This forward-looking plan allows us to finalize orders for the upcoming month while also gathering key information for the month after. To enhance efficiency in our procurement and supplier management, our warehousing and logistics are supported by an a system that provides automatic push notifications and real-time data updates.

Supply Chain Management

We have established a systematic supplier management regime, with mechanisms in place covering the entire lifecycle from supplier onboarding to ongoing management and assessment.

All prospective suppliers are subject to a qualification process before being admitted to our qualified suppliers list. Our supplier management system is built on a formal, four-step process for developing new suppliers. Before establishing a partnership, our candidate suppliers undergone a thorough qualification review and an on-site factory audit. Following this initial screening, our R&D department evaluates their hardware, including manufacturing and testing equipment, while our quality department assesses their process quality control capabilities. We then conduct material certification to ensure all components meet our standards. Once a supplier is qualified, we manage their ongoing performance using a QCDST framework. This is supported by follow-up measures, including regular performance evaluations and high-level meetings between our management teams to ensure alignment and continuous improvement. Only suppliers that successfully pass this assessment are approved. Prior to commencing our business relationship, we typically enter into a framework agreement, a non-disclosure agreement and a quality assurance agreement with the supplier.

We continuously monitor the performance of our qualified suppliers. We conduct monthly and annual performance evaluations, scoring suppliers across key dimensions such as quality, cost and delivery to ensure they consistently meet our requirements. If a supplier's performance is unsatisfactory, we may take various actions, including holding discussions with their senior management to address the issues. We also conduct monthly reviews of our supplier base and may terminate our relationship with suppliers who consistently fail to meet our standards.

To enhance the stability and resilience of our supply chain, we employ an "n+1" sourcing strategy for key components, which involves qualifying at least two suppliers for each component to mitigate the risk of supply disruptions and avoid dependence on any single supplier. We also maintain a dual-track global and domestic supply chain, which allows us to cater to customers with specific domestic content requirements. Our Group did not procure any raw materials or components from the U.S. The development and the production of our Group's products are not subject to any U.S. export control measures as they do not incorporate any U.S.-origin parts, technology or software. The transactions with our Group's customers and suppliers during the Track Record Period were not subject to the U.S. export control measures and would not cause our Group to violate any relevant regulations.

Our Suppliers

Our suppliers provide us with raw materials and components that our procurement department organizes into three categories: optical materials and components (such as resin and lenses), electronic components (such as image sensors and PCBAs) and structural components (such as housing and mounting brackets). We source most raw materials and components from China. The market for electronic components is characterized by high supplier concentration and strong supplier bargaining power. To manage this, we adopt a sales-oriented supply chain strategy focused on active collaboration and value co-creation. Our strategy prioritizes securing the supply of strategic materials and exploring cross-functional opportunities for cost reduction, supported by teams of in-house specialists.

For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, purchases from our largest supplier in each period of the Track Record Period accounted for 17.3%, 14.2%, 13.0% and 15.9% of our total purchase, respectively, while our five largest suppliers in each period of the Track Record Period accounted for 56.4%, 49.0%, 50.2% and 49.8% of our total purchase, respectively. We believe that we have a good cooperative relationship with our key suppliers.

The tables below set forth the details for each of our five largest suppliers in each period of the Track Record Period.

Rank	Supplier	Products Provided	Transaction Amount	Percentage of Total Purchase	Business Relationship Since	Business Background
			(RMB in thousand)	*(%)*		
For the Year Ended December 31, 2023						
1. . . .	Supplier A	Components	471,327	17.3	2018	A company listed on Taiwan Stock Exchange primarily engaged in electronics components distribution based in Taiwan, China.
2. . . .	Retained Sunny Optical Technology Group	Components	459,870	16.9	2010	A company primarily engaged in R&D, production and sales of integrated optical components and products based in China.
3. . . .	Supplier C	Components	291,585	10.7	2015	A private company primarily engaged in R&D, production and sales of lighting products and optoelectronic applications based in China.
4. . . .	Supplier D	Components	220,129	8.1	2016	A private company primarily engaged in R&D and production of electronic parts based in China.
5. . . .	Supplier E	Components	96,342	3.5	2016	A company listed on Taiwan Stock Exchange primarily engaged in distribution of electronic components based in Taiwan, China.
	Total		**1,539,253**	**56.4**		

Rank	Supplier	Products Provided	Transaction Amount	Percentage of Total Purchase	Business Relationship Since	Business Background
			(RMB in thousand)	*(%)*		
For the Year Ended December 31, 2024						
1. . . .	Retained Sunny Optical Technology Group	Components	472,770	14.2	2010	A company primarily engaged in R&D, production and sales of integrated optical components and products based in China.
2. . . .	Supplier A	Components	398,240	11.9	2018	A company listed on Taiwan Stock Exchange primarily engaged in electronics components distribution based in Taiwan, China.
3. . . .	Supplier C	Components	364,819	10.9	2015	A private company primarily engaged in R&D, production and sales of lighting products and optoelectronic applications based in China.
4. . . .	Supplier D	Components	239,976	7.2	2016	A private company primarily engaged in R&D and production of electronic parts based in China.
5. . . .	Supplier F	Components	164,542	4.9	2020	A private company primarily engaged in manufacturing of mechanical and electronic components based in Hong Kong, China.
	Total		**1,640,347**	**49.0**		
For the Year Ended December 31, 2025						
1. . . .	Retained Sunny Optical Technology Group	Components	545,228	13.0	2010	A company primarily engaged in R&D, production and sales of integrated optical components and products based in China.
2. . . .	Supplier C	Components	501,485	12.0	2015	A private company primarily engaged in R&D, production and sales of lighting products and optoelectronic applications based in China.
3. . . .	Supplier A	Components	368,497	8.8	2018	A company listed on Taiwan Stock Exchange primarily engaged in electronics components distribution based in Taiwan, China.
4. . . .	Supplier D	Components	353,988	8.5	2016	A private company primarily engaged in R&D and production of electronic parts based in China.

Rank	Supplier	Products Provided	Transaction Amount	Percentage of Total Purchase	Business Relationship Since	Business Background
			(RMB in thousand)	*(%)*		
5. . . .	Supplier G	Components	329,806	7.9	2016	A company listed on Tokyo Stock Exchange and New York Stock Exchange primarily engaged in electronics products and services based in Japan.
	Total		**2,099,004**	**50.2**		
For the Six Months Ended June 30, 2026						
1. . . .	Retained Sunny Optical Technology Group	Components	313,834	15.9[(1)]	2010	A company primarily engaged in R&D, production and sales of integrated optical components and products based in China.
2. . . .	Supplier C	Components	214,508	10.8	2015	A private company primarily engaged in R&D, production and sales of lighting products and optoelectronic applications based in China.
3. . . .	Supplier D	Components	163,312	8.2	2016	A private company primarily engaged in R&D and production of electronic parts based in China.
4. . . .	Supplier A	Components	159,749	8.1	2018	A company listed on Taiwan Stock Exchange primarily engaged in electronics components distribution based in Taiwan, China.
5. . . .	Supplier G	Components	133,968	6.8	2016	A company listed on Tokyo Stock Exchange and New York Stock Exchange primarily engaged in electronics products and services based in Japan.
	Total		**985,371**	**49.8**		

Note:

(1) The percentage of total purchase from Retained Sunny Optical Technology Group increased from 13.0% in 2025 to 15.9% in the six months ended June 30, 2026, primarily due to an increase in procurement of non-spherical glass in line with our business growth.

Retained Sunny Optical Technology Group was one of our five largest suppliers during each period in the Track Record Period. We have also entered into a number of connected transactions with Retained Sunny Optical Technology Group. See "Connected Transactions" for further details of these transactions and the reasons for entering into them.

As of the Latest Practicable Date, except for Retained Sunny Optical Technology Group, none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest suppliers.

During the Track Record Period, we entered into framework agreements with our suppliers. The terms of the agreement with our major suppliers align with standard commercial practices.

Set forth below is a summary of the major terms in our agreements with our key suppliers.

Key terms	Details
Term	The agreement is effective for one year from the effective date and automatically renewed annually.
Pricing	Prices are specified in the purchase order or otherwise agreed. Product prices include any and all taxes, charges for freight, freight insurance, packaging, packing and crating, any finishing or inspecting fees, applicable license fees, customs duties and all other charges.
Minimum purchase commitment	No minimum purchase commitment.
Quality assurance and return policy	Free warranty period is three years from product acceptance.
Payment and credit term	We are typically required to settle payment within 120 to 180 days after receipt of products, except for certain core components are generally required to be settled within 7 to 30 days.
Termination	The agreements may be terminated by means as set forth in the agreements.
Product liability	The supplier must maintain adequate product liability insurance at its own cost and indemnify us and our affiliates against all losses, damages and third-party claims arising from defective or non-conforming products. We may deduct any compensation owed directly from amounts payable to the supplier.
Product returns	We may return non-conforming products to the supplier at the supplier's cost. The supplier must repair or replace defective products within a reasonable time, with the warranty period restarting upon completion. Failure to collect returned goods entitles us to dispose of them at the supplier's expense.
Order cancellation	We may cancel orders in whole or in part without penalty if replacement products remain defective. In cases of late delivery, we may refuse the products and source alternatives from third parties, with the supplier bearing any price difference and additional costs.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that (i) we did not experience any material breach of our contractual agreements with our major suppliers that resulted in suspension or interruption that would cause a material and adverse effect to our production operations, (ii) we did not experience any significant shortage of raw material supplies, and (iii) the raw materials provided by our suppliers did not have any significant quality issues.

Overlapping of Suppliers and Customers

Retained Sunny Optical Technology Group, being one of our five largest suppliers during the Track Record Period, was also our customer during the same period. We purchased optical components from them, while they mainly purchased vehicle camera products from us. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, the amount of purchases we made under our procurement arrangements with Retained Sunny Optical Technology Group were RMB459.9 million, RMB472.8 million, RMB545.2 million and RMB313.8 million, respectively, accounting for 16.9%, 14.2%, 13.0% and 15.9% of our purchase, respectively; and our revenue attributable to Retained Sunny Optical Technology Group amounted to RMB89.6 million, RMB151.3 million, RMB203.0 million and RMB104.0 million, respectively, accounting for 1.7%, 2.5%, 2.8% and 2.8% of our total revenue, respectively. The terms and conditions of the procurement agreement with Retained Sunny Optical Technology Group are on normal commercial terms and comparable to those agreed with independent customers and suppliers. During the Track Record Period, the prices for sales made to Retained Sunny Optical Technology Group were negotiated on an arm's length basis and we believe the gross profit margin for such sales were generally in line with the gross profit margins attributable to other customers. See "Connected Transactions" for detailed information regarding the transactions with Retained Sunny Optical Technology Group.

Supplier C is one of our five largest suppliers during the Track Record Period, was also our customer during at least one period of the Track Record Period. We purchased optical components from them as raw materials, while we sold them ancillary products for manufacturing to help them improve their manufacturing capabilities. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, the amount of purchases we made under our procurement arrangements with Supplier C were RMB291.6 million, RMB364.8 million, RMB501.5 million and RMB214.5 million, respectively, accounting for 10.7%, 10.9%, 12.0% and 10.8% of our total purchases, respectively; and our revenue attributable to Supplier C amounted to RMB3.0 million, RMB2.1 million, RMB0.3 million and nil, respectively, accounting for 0.06%, 0.04%, 0.004% and nil of our total revenue, respectively. The terms and conditions of the procurement agreement with Supplier C were generally in line with the terms and conditions with other comparable customers. During the Track Record Period, the prices for sales made to Supplier C were negotiated on an arm's length basis and we believe the gross profit margin for such sales were generally in line with the gross profit margins attributable to other customers.

Supplier D is one of our five largest suppliers during the Track Record Period, was also our customer during at least one period of the Track Record Period. We purchased structural components from them as raw materials, while we sold them ancillary products for manufacturing to help them improve their manufacturing capabilities. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, the amount of purchases we made under our procurement arrangements with Supplier D were RMB220.1 million, RMB240.0 million, RMB354.0 million and RMB163.3 million, respectively, accounting for 8.1%, 7.2%, 8.5% and 8.2% of our total purchases, respectively; and our revenue attributable to Supplier D amounted to nil, RMB0.5 million, RMB3.9 million and nil, respectively, accounting for nil, 0.009%, 0.05% and nil of our total revenue, respectively. The terms and conditions of the procurement agreement with Supplier D were generally in line with the terms and conditions with other comparable customers. During the Track Record Period, the prices for sales made to Supplier D were negotiated on an arm's length basis and we believe the gross profit margin for such sales were generally in line with the gross profit margins attributable to other customers.

Customer B is one of our five largest customers during the Track Record Period, was also our supplier during at least one period of the Track Record Period. They purchased vehicle camera products from us, while we acquire electronic components from them. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, our revenue attributable to Customer B amounted to RMB707.1 million, RMB811.3 million, RMB636.1 million and RMB279.8 million, respectively, accounting for 13.4%, 13.5%, 8.8% and 7.6% of our total revenue,

respectively; and the amount of purchases we made under our procurement arrangements with Customer B were nil, nil, RMB1.9 million and nil, respectively, accounting for nil, nil, 0.05% and nil of our total purchases, respectively. The terms and conditions of the procurement agreement with Customer B were negotiated on an arm's length basis and were generally in line with the terms and conditions with other comparable suppliers. During the Track Record Period, the gross profit margin attributable to sales to Customer B were generally in line with the gross profit margins attributable to other customers.

COMPETITION

According to F&S, the global vehicle optical solution market size has grown rapidly from RMB189.8 billion in 2021 to RMB373.9 billion in 2025 at a CAGR of 18.5%; it is projected to continue its rapid growth at a CAGR of 16.1% and reach RMB788.3 billion in 2030. The global automotive camera product market concentrated with the top five suppliers capturing 45.5% of the global market share in 2025. Our vehicle camera products ranked first globally based on shipment volume in 2025, with a market share approximately equal to the combined market share of the next two players; in the fields of sensing and cabin products, we were the world's largest sensing and cabin products provider by shipment volume in 2025; and our vehicle lens sets have held the top global market share by shipment volume for 14 consecutive years.

Leveraging our industry expertise, integrated R&D platform as well as our cross-selling capabilities built through long-term partnerships with our customers in automotive optical sector, we have successfully expanded into other vehicle optical products. Our other vehicle optical products include LiDAR, in-cabin projection display and automotive lighting products.

To maintain and further enhance our competitive edge, we will remain dedicated to the optimization of our integrated R&D platform, the strengthening of our value chain and product competitiveness, the expansion of our product portfolio and the in-depth collaboration with our key customers in developing customized products that are tailored to their requirements. We believe we are well-positioned to maintain our market position and capture future opportunities in both the automotive camera products as well as the emerging automotive optical products markets. See "Industry Overview" for more details.

Measures and Strategies to Address Market Competition and Pricing Pressure

To address the intense market competition and the downward pressure on average selling prices of vehicle camera products from 2024 to 2025 and further from the six months ended June 30, 2025 to the same period of 2026, we have adopted a series of business measures and strategies that have helped us to effectively navigate challenging market conditions. These measures have begun to show positive results in our recent financial performance. Our revenue increased by 20.0% from RMB5,989.3 million in 2024 to RMB7,188.8 million in 2025 and subsequently increased by10.4% from RMB3,352.0 million in the six months ended June 30, 2025 to RMB3,701.6 million in the same period of 2026. Our gross profit also increased by 9.4% from RMB2,125.3 million in 2024 to RMB2,325.9 million in 2025. See "Financial Information — Period-to-Period Comparisons of Results of Operations."

The specific measures and strategies are as follows:

- ***Pursuit of Innovation and Development of Products with Advanced Technical Specifications***

  We have established three core technology platforms, namely the optical core technology innovation platform, the opto-mechanical-electro-algorithmic integration platform and the digitalized manufacturing technology platform, which together constitute our full-stack integrated technology platform capabilities. As of the Latest Practicable Date, we held 899 registered patents in total, including 601 invention patents.

Our over 20-year industry experience, ongoing investment in R&D and our emphasis on innovation jointly constitute the cornerstone of our competitive position in the industry, according to F&S. As the competition increasingly focuses on product quality and innovation, we are focused on developing superior products to maintain our market position. Looking forward, we remain committed to continuous innovation in vehicle optical products. We believe that maintaining and further enhancing our integrated technology platform capabilities will help us maintain our competitive edge and grow our revenue as well as profit.

- ***Diversification into Emerging Business Segments***

Leveraging our integrated technology platform capabilities and expertise in optical technologies, we have been actively diversifying our business into emerging segments beyond our core vehicle camera products. By extending our proprietary technologies into adjacent and high-growth application areas, we aim to cultivate new revenue streams and reduce our reliance on any single product category. These emerging business segments include, among others, LiDAR, in-cabin projection display and automotive lighting products. We believe that this diversification strategy will enable us to capture incremental market opportunities, broaden our addressable market and further enhance our overall revenue base, thereby strengthening our resilience against pricing pressure in any individual product segment.

- ***Prudent Global Expansion to Diversify Revenue Streams and Pursue Higher-Margin Opportunities***

Our operations serve a global customer base primarily across Chinese Mainland, other parts of Asia, Europe and North America. A key strategic objective of our global expansion is to diversify our revenue streams across geographies and customer segments, reduce our dependence on any single market and capture business opportunities that offer relatively higher margins. By broadening our international presence, we are able to access a wider range of customers with differentiated product requirements, which supports our ability to command more favorable pricing for our higher-value products.

We commenced deployment of our first Vietnam production base in 2019, accumulating overseas localization expertise across production line planning, factory construction, talent development and local partner collaboration. Our Vietnam manufacturing bases enable us to serve our overseas customers more effectively, supporting our efforts to grow our international revenue base and access customer segments that value localized supply chain support and reliability.

- ***Cost Reduction and Operational Efficiency Improvements***

During the Track Record Period, we have implemented a series of cost reduction and operational efficiency improvement initiatives, including:

Enhanced capacity utilization: Our sensing products production utilization rate improved from 72.1% in 2023 to 76.4% in 2025, and our cabin products production utilization rate improved from 75.6% in 2023 to 83.8% in 2025. Improved production utilization rates resulted in reduced unit costs through economies of scale, contributing to the stability of our gross profit margins during the Track Record Period.

Intelligent manufacturing and automation: Our manufacturing operations are characterized by high levels of automation and intelligent manufacturing efficiency, with automation rates exceeding 90% as of June 30, 2026, which represents an industry-leading level according to F&S. Our continued investment in digitalized manufacturing and process optimization has contributed to reducing unit manufacturing costs and has supported the improvement of our gross profit margins.

Through these combined measures, our Directors are of the view that we are well positioned to manage pricing pressure and maintain profitability.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We have established an integrated warehousing and logistics system to support the efficient storage, management and distribution of our raw materials and finished products across our operations.

Warehousing

Our warehouse operations involve the management of raw materials and finished goods. As of the Latest Practicable Date, we operated ten warehouses located in Yuyao, Zhejiang Province, China and Phu Tho and Nghe An provinces, Vietnam. The total area of all our warehouses amounted to approximately 9,600 square meters. We utilize our internal logistics management system, which has been upgraded to enable automated inventory tracking and data updates. The system is designed to automatically monitor inventory levels and trigger alerts when they fall outside pre-set thresholds, facilitating proactive management and helping to reduce waste.

Logistics

Leveraging our strengths in supply chain management, we provide customers with logistics services that ensure efficient storage, management and delivery.

Our products are primarily transported by road, sea and air and we are generally responsible for delivering the products to our customers' designated locations. Given our products are high-value electronic devices, we maintain strict requirements for the handling and transportation of our goods. To support our global operations, we engage third-party logistics providers for our delivery across the globe, ensuring the efficient and reliable delivery of our products to customers. As of the Latest Practicable Date, we maintained a diversified logistics network through partnerships with nearly ten external logistics service providers to support our global and regional business needs.

Inventory Management

Our inventory management system is designed to support stable production, efficient resource utilization and optimized working capital. We maintain close control over the entire inventory lifecycle, covering finished goods, work in progress and raw materials. Our procurement plans are formulated based on demand forecasts from our sales and marketing department and production schedules from our manufacturing department, ensuring our inventory levels are closely aligned with market demand.

We adopt a lean inventory strategy which follows a "place orders and prepare materials based on material LT+N ordering" model maintaining a reasonable raw material inventory. This approach is designed to enhance our working capital efficiency and minimize the risks of overstocking. To mitigate the risk of supply disruptions, we have implemented an "n+1" supply chain strategy, which involves qualifying at least two suppliers for each key materials to avoid dependence on any single supplier. We also maintain a dual-track global and domestic supply chain, which allows us to cater to customers with specific requirements. In practice, we conduct regular reviews of our inventory levels to ensure we maintain sufficient stock for our operational requirements. In addition, we maintain three to six months of safety stock for highly volatile raw materials. We also perform periodic assessments of our inventory and make provisions for inventory write-downs in accordance with our accounting policies.

INTELLECTUAL PROPERTY

We consider our patents, trademarks, trade secrets and other intellectual property rights as one of the core factors on which our business depends. We rely on a combination of intellectual property laws, unfair competition laws, non-disclosure agreements and other protective measures to protect our intellectual property rights. To protect our intellectual property rights, we strive to make timely registration, filing and application for intellectual property rights. As of the Latest Practicable Date, we held 899 registered patents in total, including 601 invention patents. See "Statutory and General Information — Intellectual Property Rights" in Appendix VI to this document. Further, we require our key R&D personnel and technical employees to enter into confidential and non-compete agreements that include clauses acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our properties and assigning to us any ownership rights that they may claim in those works. These arrangements ensure that intellectual property created during their tenure remains the property of our Group, safeguarding our innovations and maintaining our competitive edge in the market.

We undertake a proactive approach to manage our intellectual property portfolio and perform regular monitoring of our intellectual rights and take action when we are aware of a potential infringement of our intellectual property rights. We intend to protect our intellectual property rights vigorously, but there can be no assurance that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See "Risk Factors — Third-party claims against us in relation to infringement of intellectual property rights, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses, and our business could be adversely affected."

INFORMATION TECHNOLOGY

We believe that information technology is essential to our competitiveness and efficient operations. The following information technology systems are the most critical to our business among our collective integrated information technology systems.

Supplier Relationship Management (SRM) System	Our SRM system enables us to manage supplier sourcing, evaluation, risk control and performance, while providing real-time data analysis and reporting. It integrates, among other functions, supplier information management, procurement management, contract management, performance assessment and compliance monitoring, for efficient management across the entire supplier relationship cycle, from supplier identification and qualification, to procurement and contracting, to ongoing collaboration and performance optimization.
Customer Relationship Management (CRM) System	Our CRM system consolidates functions including sales forecasting, competitor tracking, market insights, cost management, pricing and quality control, to strengthen customer service and operational coordination.
Enterprise Resource Planning (ERP) system	Our ERP system serves to unify financial management, supply chain management, production and manufacturing management, procurement management into a single, unified system to achieve dynamic, closed-loop, optimized management and control of procurement and logistics.

Product Lifecycle Management (PLM) system	Our PLM system enables product data management, bill of materials management, product design and collaboration, product alteration management, project management and product configuration management. Our PLM system integrates digital design tools and document management software to enable seamless for seamless information flow across different functions, while it is also synchronized with our ERP, office and other systems to ensure automatic updates of product information to maintain consistency and accuracy.
Manufacturing Execution System (MES)	Our MES enables centralized management over work orders, production execution, materials, production processes and abnormalities, as well as product traceability. Our MES is deeply integrated into the production process. During the manufacturing process, the MES sends instructions to production equipment, establishes product production parameter specifications and standards and controls the execution of production equipment. If abnormalities are found, defective products are identified and notifications sent to relevant personnel to remove such defective products from the production line, while the data monitoring and analysis platform provides real-time feedback on production anomalies.
Quality Management System (QMS)	Our QMS manages incoming and outgoing finished products inspection, process quality, inspection standards and incorporates statistics process control. As part of our integrated product quality management, we ensure that the quality information is fully collected, accurately recorded and efficiently managed. We have built a QMS that integrates MES production process data and internet of thing data collection technology and enables information management and process traceability across the entire quality management process of incoming material inspection, production process inspection, finished product inspection and shipment inspection.
Warehouse Management System (WMS)	Our WMS enables real-time monitoring of the location, quantity and status of each piece of inventory, while the entire warehousing process is controlled through tag management such as barcodes. Sophisticated inbound and outbound inventory management improves inventory turnover rate, while scheduling systems enables our network of automated guided carts to quickly and accurately move inventory from the storage area to the designated cargo location, thereby reducing manpower requirements while improving efficiency and accuracy.
Office system	Our office system drives internal communications and cross departmental compliance collaboration and approval process scenarios, such as, among others, procurement, and approval process.

These integrated IT systems ensure seamless data flow across all business functions while maintaining operational visibility.

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

Data Privacy and Security

We collect and process different categories of data at various stages of our business operations, including product testing data during R&D and testing, product codes and equipment parameters during manufacturing, and business data such as customer order numbers and delivery schedules during sales, with ownership of all such data belonging to us. Specifically, in the Group's internal radar system integration testing, point cloud data are collected within a laboratory environment. Such data collection does not involve the collection of location data or road condition data. The aforementioned data collection activities are conducted exclusively within a closed environment, and the data so collected are used solely for the purposes of internal product development and optimization. The data are stored on servers located at our data center in Yuyao, Zhejiang Province, and no cross-border data transfer is involved. In the ordinary course of our business operations, we do not, as a general principle, process personal information. During the Track Record Period, we collected a limited volume of user product feedback solely through voluntary submission by users on the official website of Sunny SmartLead. Such collection has since been discontinued. Based on the suite of internal control measures in respect of cyber security and data security as follows, our PRC Legal Advisor is of the view that (i) the users are deemed to have given their consent to the Group to the processing of the submitted personal information for the purpose of product feedback collection, and (ii) our data processing activities during the Track Record Period were in compliance with applicable PRC laws and regulations governing data protection and cybersecurity.

We have implemented a suite of internal control measures in respect of cybersecurity and data security as follows:

- **Organizational structure:** we have established a dedicated cybersecurity department responsible for the overall management of cybersecurity and data security matters, and have appointed a designated officer responsible for our cybersecurity and data security matters;

- **Institutional framework:** we have formulated and promulgated a series of cybersecurity management policies and data protection policies, and seek to strictly implement and enforce all such policies and procedures;

- **Technical safeguards:** we have adopted data security measures including network physical and logical isolation, data classification and grading, encrypted backup, identity authentication, access control, log auditing, vulnerability scanning and closed-loop remediation and drills for contingencies. For the processing of sensitive information, more stringent security measures are applied, including the use of dedicated document encryption systems, to safeguard the network against interference, damage or unauthorized access and to prevent data leakage, tampering or loss. All of our systems are integrated into a unified identity management platform, with multi-factor authentication mandatorily enabled for sensitive systems to ensure precise access control.

- **Personnel management measures:** we have entered into data protection agreements with our employees, requiring strict protection of any information or data accessed in the course of their work. We conduct regular information security and confidentiality awareness training for the employees, ensuring that production and R&D personnel possess adequate security compliance awareness prior to commencing their duties.

Our PRC legal advisor is of the view that we have, in all material respects, complied with the applicable PRC laws and regulations with respect to data privacy and cybersecurity during the Track Record Period and up to the Latest Practicable Date, on the basis that: (i) as confirmed by us and verified by our PRC legal advisor, we are not a critical information infrastructure operator, and all of our business data is stored domestically; (ii) we do not process personal information in the ordinary course of our business operations or important data, nor do we engage in any cross-border data transfer; (iii) in respect of cybersecurity and data security management, we have established a organizational structure, institutional framework, technical safeguards and personnel management measures as set forth above, classified all of our information systems as Level 1, and implemented protection measures; (iv) the algorithms and artificial intelligence technologies used internally by us are not subject to the regulations governing algorithmic recommendations, deep synthesis or generative artificial intelligence services; (v) the [**REDACTED**] does not require a proactive filing for cybersecurity review; and (vi) we have not been involved in any litigation or penalties relating to data compliance during the Track Record Period and up to the Latest Practicable Date.

The Group has not experienced any material data leakage, data loss, data security breaches or IT service interruptions during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. We strive for mutual growth, balancing employee development with our Group's progress.

As of June 30, 2026, we had a total of 6,069 employees, among which 4,964 were located in China, 1,105 were located in overseas regions. The table below sets forth breakdowns of our employees by function as of June 30, 2026.

Function	Number of employees	Percent of total
Production	4,166	68.6
Sales	204	3.4
Technical (R&D)	1,424	23.5
Management and Others	275	4.5
Total	6,069	100.0

We enter into employment contracts with our employees. We also enter into confidentiality and non-compete agreements with our key management, technical and sales personnel to protect our intellectual property and business secrets.

Our success depends on our ability to attract, retain and motivate qualified personnel. We recruit our employees based on a number of factors such as their work experience, educational background and our vacancy needs. Our primary recruitment channels include online recruitment websites, campus recruitment programs, internal referrals and engaging headhunters for senior management or highly specialized positions. We are committed to nurturing talent and have established a structured talent development system designed to enhance the professional capabilities of our employees. Our employee training framework comprises onboarding training to familiarize new employees with our corporate culture and business and regular job-specific skills training for different functional teams. For example, our sales personnel receive quarterly training on topics such as sales techniques and product updates, while our marketing operations team receives semi-annual training on data analytics and process management. We also organize management training for our existing managers and designated high-potential employees and assign an experienced mentor to each new employee to provide guidance and support. We provide competitive compensation packages and foster an environment that encourages initiative. The remuneration payable to our employees includes salaries and a discretionary bonus.

We conduct periodic performance reviews for our employees. We evaluate employee performance based on three key dimensions: performance, capabilities and attitude. An employee's remuneration is determined by factors including their qualifications, contributions, years of experience and performance evaluation results.

We have established a trade union which represents our employees' interests and facilitates communication between the management and employees. Our Directors consider that we have maintained a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, there was no incident of disruption of work which had a material adverse impact on our operation and no labor disputes or strikes which may have a material and adverse effect on our business, financial condition or results of operations.

INSURANCE

As required by PRC laws and regulations, we maintain government-mandated insurance and benefits for our employees, including medical, pension, unemployment insurance, occupational injury, maternity and housing provident funds. See "— Employees." We believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities, including but not limited to all property related risks insurance, employer liability insurance and public liability insurance. We procured insurance policies by type and amount that we consider sufficient and evaluated such insurance policies from time to time based on our past experience, changes in production and industry developments.

We are committed to minimizing the risks of product liability claims, warranty claims and product recalls through stringent quality control. In addition, in the event that one or more of our suppliers is determined to be liable (in whole or in part), we will assess the compensation or contributions sought from the relevant suppliers (if applicable) in accordance with the terms and conditions of the supply contracts entered into with the relevant suppliers, taking into account various commercial considerations, including but not limited to the amount sought, the financial ability of the relevant supplier and the risk of interruption in the supply of our products and our customers as a result of claims for compensation or contributions that may be made by us.

LICENSES, PERMITS AND APPROVALS

We are required to maintain various licenses, approvals and permits in order to operate our business. Our major licenses and permits are set out below:

Types of licenses, permits and approvals	Grant Date(s)	Expiration Date(s)
Customs Declaration Registration Certificate for Import and Export Goods Consignee/Consignor (PRC)	long term	
High and New Technology Enterprise Certificate (PRC)	December 8, 2023	December 8, 2026
Pollutant Discharge Registration Receipt for Stationary Pollution Sources (PRC)	November 14, 2023	November 13, 2028
IATF 16949 Automotive Quality Management System Certification (PRC)	August 29, 2024	August 28, 2027
ISO 50001 Energy Management System Certification (PRC)	January 7, 2025	January 6, 2028

Types of licenses, permits and approvals	Grant Date(s)	Expiration Date(s)
ISO 45001 Occupational Health and Safety Management System Certification (PRC) . . .	October 11, 2025	October 22, 2028
ISO 14001 Environmental Management System Certification (PRC)	October 13, 2025	November 13, 2028
China National Accreditation Service for Conformity Assessment Laboratory Accreditation Certificate (PRC)	August 18, 2025	August 17, 2031
Environmental License issued by the Ministry of Agriculture and Environment (Vietnam) . .	August 22, 2025	August 22, 2035

During the Track Record Period and up to the Latest Practicable Date, we have obtained all necessary licenses, permits and approvals for conducting operating activities which are important to our operations and such licenses, permits and approvals are still valid as of the Latest Practicable Date.

PROPERTIES

We own and/or lease certain properties in China and Vietnam primarily to be used as production and offices purpose. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

As of June 30, 2026, each of our property interests had a carrying amount less than 15% of our combined total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our interests in land or buildings.

Owned Land and Properties

As of the Latest Practicable Date, we had the right to use two parcels of land for production purposes, with an aggregate gross land area of 89,918.0 sq.m. located in China.

As of the Latest Practicable Date, we had the right to use three parcels of land for production purposes, with an aggregate gross land area of 443,328 sq.m. located in Vietnam.

As at the Latest Practicable Date, our legal advisors confirmed that we had obtained all relevant land use rights certificates of the above parcels.

Leased Properties

As of the Latest Practicable Date, we had seven leased properties in China that are related to our production and operation with an aggregate area of 83,455.8 sq.m, which were currently used for offices, production, R&D and storage purposes.

As confirmed by our PRC legal advisor, we had completed lease registration for all of the properties we leased as mentioned above in China as of January 23, 2026.

COMPLIANCE AND LEGAL PROCEEDINGS

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that, to the best of our knowledge after making all reasonable enquiries, we were not involved in any legal proceedings, litigations, arbitration and administrative proceedings that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

Compliance Matters

During the Track Record Period and up to the Latest Practicable Date, we did not commit any non-compliance of laws and regulations which individually or in the aggregate, in the opinion of our Directors, would have a material and adverse effect on our business, financial condition or results of operations.

As advised by our legal advisors, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant laws and regulations in all material respects.

Outbound Investment Security Program (OISP)

On October 28, 2024, the U.S. Department of the Treasury ("**Treasury**") issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern, which became effective on January 2, 2025, to implement the Outbound Investment Security Program ("**OISP**") established by Executive Order 14105. The OISP restricts direct and indirect investment by U.S. persons (as defined under the OISP) into companies with specified connections to China that use specific technologies of concern, including semiconductors, quantum computing and AI.

The rules regarding U.S. outbound investment remain subject to further development. On December 18, 2025, the U.S. President signed into law the National Defense Authorization Act for Fiscal Year 2026, which includes the Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"). Although the existing OISP regulations remain in effect, the COINS Act requires the Treasury to propose revisions within 450 days of enactment. Those revisions will include, among other changes, an expansion of the countries of concern and covered technologies (to include "high-performance computing and supercomputing" and "hypersonic systems"), revisions to key defined terms, and the establishment of a formal non-binding feedback process on the applicability of the OISP on specific transactions.

As advised by our International Trade Legal Advisor, we believe we are not a "covered foreign person" under the OISP. While our product offerings include hardware and modules supplying perception inputs, such as optical lenses, LiDAR modules, and intelligent headlights that rely on visual data and laser beams providing information on obstacles, distance, and speed, these inputs are compatible with algorithm platforms and perception software developed by independent third parties. We do not "develop" (as defined in the OISP) any AI systems and therefore are not engaged in any "covered activity" under the OISP. Accordingly, U.S. persons are currently not subject to any notification requirements or restrictions related to their potential investments into our Company, including through the [**REDACTED**]. Having considered the above view from us and the International Trade Legal Advisor and after undertaking the relevant due diligence, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to cast doubt on our view set out above. However, we cannot assure you that the U.S. authorities will not take a different

view on the applicability of the OISP on us, or that the revisions to the OISP under COINS Act will cause the Treasury to deem us a "covered foreign person" in the future, which could significantly and negatively affect our ability to raise capital from U.S. investors, and harm our business, financial condition and prospects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

We have established a organizational structure and management mechanism for sustainable development to drive the effective implementation of our sustainability strategy. Our ESG Management Committee oversees the identification, assessment and management of ESG risks and opportunities and is responsible for setting our ESG vision, policies and targets. To ensure effective governance, we conduct double materiality assessments, analyzing material topics from both financial materiality and impact materiality perspectives to prioritize key sustainability issues and align our strategic planning closely with the United Nations Sustainable Development Goals.

We recognize that maintaining open and constructive communication with stakeholders is critical to enhancing our ESG performance. We actively engage in continuous and transparent dialogue with stakeholders to understand their expectations and concerns and integrate these insights into our ESG improvement initiatives. This approach supports mutual value creation and long-term sustainable development. To further strengthen our governance framework, we strictly implement the Whistleblowing Guidelines and Measures for Rewards and Protection and have established and maintain open and transparent reporting channels to ensure that stakeholders can safely and conveniently raise concerns.

As of December 31, 2025, our greenhouse gas ("**GHG**") emissions intensity for Scope 1 and market-based Scope 2 emissions was 7.1 tonnes of carbon dioxide equivalent per RMB million of revenue. In 2025, we achieved cumulative electricity savings of 7,408 megawatt-hours. We recorded no material production safety incidents and no cases of occupational disease in 2025, reflecting our continued focus on workplace safety and employee health.

We are committed to complying with ESG reporting requirements from the [**REDACTED**]. Our ESG governance framework sets out our obligations and scope of authorities in performing the codes in Appendix C2 of the Listing Rules.

ESG Governance

Our ESG governance structure comprises the Board, the Strategy and Development Committee, the ESG Management Committee and the ESG Working Group, which together underpin an effective corporate governance framework.

At the decision-making level, our Board acts as the ESG leadership and ultimate decision-making body and is responsible for (i) approving the company's ESG strategy, targets, management policies and medium- to long-term plans; (ii) reviewing response plans for ESG-related risks and opportunities that may have a significant impact on the company and overseeing their implementation; (iii) approving ESG reports and other external disclosure; and (iv) reviewing and approving ESG-related management systems. The Board has authorized the Strategy and Development Committee to supervise the Group's ESG matters on behalf of the Board.

At the management level, the ESG Management Committee is responsible for (i) formulating ESG strategic plans, targets and annual work plans that align with the company's overall development; (ii) leading the formulation of ESG-related management systems; (iii) coordinating the company's ESG materiality assessment and organizing the identification, assessment and management of ESG-related risks and opportunities that are material to the business, as well as defining and promoting corresponding response measures; (iv) overseeing the implementation of various ESG initiatives across the Company; (v) coordinating the preparation and internal review of the company's annual ESG report; (vi) reporting relevant ESG information and progress to the Strategy and Development Committee and the Board; and (vii) undertaking such other ESG-related responsibilities as may be delegated by the Board.

At the execution level, the ESG working group is responsible for (i) monitoring and analyzing laws, regulations and policies in the company's ESG matters; (ii) implementing the annual ESG work plan and providing regular updates to the ESG Management Committee; (iii) participating in the formulation of and overseeing compliance with, ESG-related management systems; (iv) participating in the company's ESG materiality assessment; (v) organizing ESG communications and training activities; (vi) coordinating the day-to-day collection, consolidation and reporting of ESG-related data; and (vii) performing such other related responsibilities as may be assigned by the ESG Management Committee.

To further safeguard the integrity of our ESG operations, our Audit and Supervision Department operates and conducts regular inspections, risk assessments and compliance audits. We also require all suppliers and business partners to sign agreements incorporating integrity and anti-bribery clauses. Our whistleblower protection procedures enable confidential reporting through multiple channels, with strict prohibitions against retaliation.

Environment

Environment Protection

We strictly comply with the Environmental Protection Law of the PRC, the Air Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Solid Waste Pollution Prevention and Control Law of the PRC, the Noise Pollution Prevention and Control Law of the PRC, the Energy Conservation Law of the PRC and all applicable local environmental laws and regulations.

We actively support the national agenda for green development and implement an environment, health and safety ("**EHS**") management policy and are committed to continual improvement and the pursuit of excellence.

We have established a environmental management system certified under ISO 14001, integrating environmental performance into our strategic assessment framework with systematic policies covering environmental factor identification, pollutant management and emergency response protocols. In alignment with China's carbon peak and carbon neutrality goals, we have been recognized as "Zhejiang Provincial Green Factory" in 2025 through systematic improvements across energy utilization, resource consumption, pollution prevention and ecological design.

We cultivate a responsible environmental culture through mandatory environmental training for new employees, specialized carbon management training programs and regular awareness campaigns aligned with key environmental dates. We promote sustainable office practices through digitalization to reduce paper consumption, strict air conditioning temperature control standards (no higher than 20°C in winter and no lower than 26°C in summer) and employee awareness programs encouraging energy and water conservation.

Addressing Climate Change

Low-Carbon Management

We actively adapt to the global trend of energy conservation and low-carbon development. We firmly support the GHG emission reduction targets: achieving carbon peak by 2028, reducing Scope 1 and Scope 2 GHG emissions by 20% against 2024 by 2030, increasing renewable energy proportion to exceed 50% by 2030 and achieving carbon neutrality[(1)] by 2050. In 2024, we established a cross-departmental carbon management committee to systematically promote carbon management work. The committee regularly evaluates the impact of clean energy applications and

(1) Carbon neutrality is defined as achieving net-zero GHG emissions pertaining to our direct operations (Scope 1) and purchased electricity and other energy sources (Scope 2).

carbon emissions on production operations and implements a series of measures such as energy-saving technological transformation, optimizing logistics routes, increasing the use of green recyclable materials and building distributed photovoltaic projects to effectively promote carbon reduction actions. In addition, we have formally committed to joining the Science Based Targets initiative (SBTi) and is currently setting science-based carbon targets and detailed emission reduction pathways.

To ensure the scientificity and accuracy of emission data, we follow the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) and under the unified organization of the Group, we have conducted a detailed inventory of greenhouse gas emissions within our operational control scope and upstream and downstream value chains.

To achieve our emission reduction targets, we have introduced a digitalized energy management platform enabling real-time monitoring of electricity consumption across our subsidiaries. In addition, we carried out five energy-saving projects in 2025, achieving aggregate energy savings of 7,408.4 MWh and carbon reductions of 4,516.2 tCO_2e. Key examples include:

- Air-cooled Heat Pump Retrofit: Replacement of existing air-cooled heat pump units with Grade 1 energy-efficiency water-cooled chiller units, achieving annual energy savings of approximately 6,400 MWh.

- Process Optimization: Application of lean production methodologies to optimize bottleneck processes, achieving annual energy savings of 440 MWh and carbon reductions of 268.2 tCO_2e.

We have been steadily increasing our clean energy proportion through photovoltaic installation and green electricity procurement. In 2025:

- Installed photovoltaic capacity reached 2.5 MWp, generating approximately 2,754.7 MWh annually.

- Green electricity procured amounted to 5,736 MWh.

- Combined carbon reduction from the above initiatives totalled 5,175.9 tCO_2e.

We will further pursue emission reductions through: (i) continued optimization of our energy management systems across subsidiaries; (ii) evaluation and adoption of lower global warming potential refrigerants to minimize fugitive emissions; and (iii) research into the feasibility of carbon capture, utilization and storage technology for application within its operations.

The table below sets forth our total GHG emissions figures for the years indicated:

	2023	2024	2025
Total GHG emissions			
Direct (scope 1) (tonnes of CO_2 equivalent)	1,776.3	2,287.8	1,667.8
Indirect (scope 2 — market-based) (tonnes of CO_2 equivalent)[2]	54,484.6	51,309.6	49,421.3
Indirect (scope 2 — location-based) (tonnes of CO_2 equivalent)[2]	54,484.6	50,319.8	58,869.7
Indirect (scope 3) (tonnes of CO_2 equivalent)[1]	–	159,855.2	123,493.2
Total (scope 1 + market-based scope 2) (tonnes of CO_2 equivalent)[2]	56,260.9	53,597.4	51,089.1

	2023	2024	2025
Total (scope 1 + location-based scope 2) (tonnes of CO_2 equivalent)[2]	56,260.9	52,607.6	60,537.5
Total (scope 1 + market-based scope 2 + scope 3) (tonnes of CO_2 equivalent)[1]	–	213,452.6	174,582.2
Total (scope 1 + location-based scope 2 + scope 3) (tonnes of CO_2 equivalent)[1]	–	212,462.8	184,030.6
GHG emissions intensity (scope 1 + market-based scope 2) (tonnes of CO_2 equivalent/RMB million revenue)[2]	10.9	9.0	7.1
GHG emissions intensity (scope 1 + location-based scope 2) (tonnes of CO_2 equivalent/RMB million revenue)[2]	10.9	8.8	8.4
GHG emissions intensity (scope 1 + market-based scope 2 + scope 3) (tonnes of CO_2 equivalent/RMB million revenue)[1]	–	35.9	24.3
GHG emissions intensity (scope 1 + location-based scope 2 + scope 3) (tonnes of CO_2 equivalent/RMB million revenue)[1]	–	35.7	25.6

Notes:

(1) For 2023, we did not commence collection of Scope 3 emissions data. Beginning in 2024, our Scope 3 emissions include emissions from purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting and downstream transportation and distribution. We do not engage in upstream leased assets, franchises or investments. Furthermore, GHG emissions generated during the reprocessing, use and disposal of our products are minimal and not materially quantifiable, and are therefore considered immaterial to our overall environmental impact assessment.

(2) For our 2023 Scope 2 emissions calculations, we applied an emission factor of 0.7035 tCO_2/MWh based on the "Average CO_2 Emission Factors for China Regional Power Grids in 2011 and 2012," as the Ministry of Ecology and Environment had not yet published updated factors and did not distinguish between market-based and location-based methodologies at that time. For our 2024 emissions calculations, we adopted the updated emission factors published in December 2024 under the "Announcement on the Publication of 2022 Electricity CO_2 Emission Factors," utilizing a market-based emission factor of 0.5856 tCO_2/MWh and a location-based emission factor of 0.5617 tCO_2/MWh. For our 2025 emissions calculations, we adopted the updated emission factors published in December 2025 under the "Announcement on the Publication of 2023 Electricity CO_2 Emission Factors," utilizing a market-based emission factor of 0.6096 tCO_2/MWh and a location-based emission factor of 0.5306 tCO_2/MWh.

Resource Utilization and Management

Resource Utilization

For the years ended December 31, 2023, 2024 and 2025, our core direct energy consumption comprises gasoline. The table below sets forth our energy consumption for the years indicated:

	2023	2024	2025
Direct energy consumption (MWh)	6.5	8.5	2,772.8
Indirect energy consumption (MWh)	77,715.9	88,671.6	108,561.9
Of which: Green electricity (MWh)	0	1,714.0	5,736.0
Total comprehensive energy consumption (MWh)	77,722.4	88,680.1	111,334.7
Comprehensive energy consumption intensity (MWh/RMB million revenue)	15.1	14.9	15.5
Consumption of packaging materials (tonnes)	713.8	892.5	1,378.5

	2023	2024	2025
Packaging intensity (kg/RMB million of revenue)	138.3	150.1	191.8
Water withdrawal (tonnes)	295,340.0	324,973.7	484,788.8
Water withdrawal intensity (tonnes/RMB million of revenue)	57.2	54.6	67.4
Water consumption (tonnes)	59,068.0	64,994.9	96,957.8

Energy Management

We regard energy management as a core strategic priority for addressing climate change while achieving cost optimization and environmental benefits. We have obtained ISO 50001 Energy Management System certification and established a detailed energy management framework based on this standard. We strictly comply with the Energy Law of the PRC, the Energy Conservation Law of the PRC, the Electric Power Law of the PRC, the Zhejiang Province Energy Conservation Supervision Measures, the Energy Conservation Supervision and Management Measures for High Energy-Consuming Special Equipment and all applicable environmental laws and regulations. We have established an energy conservation leadership group responsible for formulating energy reduction targets and implementation plans.

We set annual energy management targets of reducing unit product comprehensive energy consumption by 1% in 2025 and a further 1% in 2026. We have successfully achieved this target in 2025.

Recognizing that electricity consumption is the primary source of our GHG emissions, we have focused on optimizing our energy structure and improving electricity efficiency. In 2024, we increased our clean energy utilization through purchasing green electricity and deploying distributed photovoltaic systems via contract energy management arrangements. As of December 31, 2025, we have installed 2.5 MWp of photovoltaic capacity with estimated annual power generation of approximately 2,754.7 MWh kWh annually and procured 5,736 MWh of green electricity, collectively reducing our carbon emissions by approximately 3,496.7 tonnes of CO_2 equivalent.

In 2025, we implemented five energy-saving and consumption-reduction projects, collectively achieving electricity savings of 7,408 MWh and reducing carbon emissions by 4,515.9 tonnes of CO_2 equivalent. Additionally, we have implemented energy efficiency measures including transitioning our corporate vehicle fleet to hybrid electric vehicles to reduce fuel consumption and carbon emissions and replacing lighting systems in new facilities and during routine maintenance with high-efficiency, low-consumption LED fixtures, achieving approximately 50% energy savings compared to conventional lighting systems based on consumption calculations.

Water Resource Management

We recognize water as a critical strategic resource and are committed to sustainable water management across our operations. Our water supply is sourced entirely from municipal water systems, ensuring stability and regulatory compliance. We have established clear water conservation targets and enhance employee awareness through water-saving signage and educational campaigns. Operationally, we deploy water-efficient equipment, optimize production processes to reduce water consumption per unit of product and conduct water balance testing across our facilities to identify and address inefficiencies. We were recognized as a "Zhejiang Provincial Water-Saving Enterprise" in recognition of our water resource management performance.

Recycled Economy

We have adopted a "source reduction" approach to optimize material and packaging usage across our operations. We minimize packaging consumption through streamlined design, improved loading efficiency, standardization and reuse of returnable containers and prioritization of environmentally friendly and recyclable materials. We have implemented Structural Design Management Specifications defining packaging design requirements and recycling guidelines. These initiatives reduce resource consumption and waste generation while lowering logistics costs, achieving alignment between economic and environmental benefits.

Emission and Waste Management

We strictly comply with the Air Pollution Prevention and Control Law, the Water Pollution Prevention and Control Law, the Solid Waste Pollution Prevention and Control Law and all applicable environmental laws and regulations as well as local emission standards. We have established internal systems including the Regulations on the Management of Waste Gas, Wastewater, Noise and Solid Waste and the Solid Waste Management Regulations, which define management responsibilities, operating procedures and emergency response protocols.

Our air emissions primarily comprise volatile organic compounds, nitrogen oxides, sulfur dioxide and particulate matter, originating from organic solvent volatilization in production workshops and vehicle exhaust. Our wastewater is generated from domestic usage, cleaning processes and grinding operations. Our waste comprises non-hazardous waste including domestic refuse and hazardous waste such as cleaning agents and organic solvents from production processes. In 2025, we conducted comprehensive emissions monitoring under group-level coordination and all of our pollutant emissions met applicable standards.

The table below sets forth our emissions and waste figures for the years indicated:

	2023	2024	2025
Air emissions			
Sulfur dioxide (kg)	0.01	0.01	0.03
Nitrogen oxides (kg)	8.0	7.1	19.6
Particulate matter (kg)	0.8	0.7	1.8
Hazardous waste			
Hazardous waste (tonnes)	44.6	61.1	66.6
Hazardous waste intensity (kg/RMB million revenue)	8.6	10.3	9.3
Non-hazardous waste			
Total non-hazardous waste (tonnes)	1,205.9	1,451.9	1,570.8
General non-hazardous waste (tonnes)	877.2	799.5	1,030.5
Recycled waste (tonnes)	328.7	652.4	540.3
Non-hazardous waste intensity (kg/RMB million revenue)	233.6	244.1	218.5
Wastewater			
Wastewater discharge (tonnes)	236,272.0	259,978.8	387,831.0

Air Emissions Management

We implement source reduction, process control and end-of-pipe treatment measures to minimize air emissions. At source, we optimize production processes and substitute alcohol-based solvents with water-based alternatives to reduce VOC generation. During production, we employ enclosed processes with integrated exhaust collection systems and routine inspections to ensure treatment facilities operate effectively. For end-of-pipe treatment, we utilize multi-stage high-efficiency equipment to process collected emissions before compliant discharge, with compliance verified through regular third-party monitoring.

Wastewater Management

Our wastewater originates from domestic and production activities and is strictly managed in accordance with national standards. We operate a "rainwater and sewage separation" system. All of our manufacturing bases have obtained the requisite permit for wastewater discharge into the municipal system. Additionally, we have installed buffer tanks before the discharge point with daily water quality monitoring. Upon detection of non-compliant or abnormal data, we immediately implement emergency shutdown procedures and conduct investigation and remediation.

Waste Management

We continuously optimize production technology to improve resource utilization and reduce waste. All waste is classified, collected, stored and disposed of according to regulatory requirements, prioritizing qualified vendors capable of recycling to achieve our "zero landfill" objective.

Non-hazardous waste (scrap metal, plastics, paper, packaging and office refuse) is recycled where possible, with remainder collected by sanitation services. Hazardous waste (waste hoses, spent activated carbon, waste reagent bottles and organic solvents) is managed under standardized protocols documenting characteristics, hazards and treatment measures. We maintain designated storage areas with classified storage and engage qualified third-party contractors for disposal, with regular credential verification. In 2024, we obtained "Waste-Free Factory" certification.

Noise Emissions Management

We control production noise through rational facility layout planning, prioritization of low-noise equipment, installation of soundproofing facilities for high-noise equipment and enhanced equipment maintenance. These measures ensure boundary noise levels comply with the Emission Standard for Industrial Enterprise Noise at Boundary, which is verified through regular monitoring.

Society

Sustainable Supply Chain

We are committed to building harmonious and sustainable business partnerships through our "system management — technology empowerment — ecological co-construction" framework, creating a green supply chain system that integrates compliance and innovation to promote sustainable industrial development and deliver long-term value to our stakeholders.

To achieve this objective, we have established a supplier management system encompassing the Supplier Management Control Procedure and the Supplier Development and Evaluation Control Procedure. These procedures govern the full supplier lifecycle from initial development, evaluation and onboarding through performance assessment, annual review, risk management and delisting, ensuring transaction compliance, effective risk control and business continuity.

We formulate an annual Supplier Development Plan aligned with our strategic priorities and project requirements. During the sourcing and development phase, we conduct rigorous qualification assessments evaluating environmental awareness and social responsibility, verifying suppliers' environmental and social compliance records through independent platforms including the Institute of Public and Environmental Affairs (IPE). Qualified candidates undergo on-site audits conducted by our cross-functional teams covering quality systems, Restriction of Hazardous Substances (RoHS) compliance, social responsibility and information security. All approved suppliers must execute binding commitments including the Social Responsibility Agreement, Environmental Prohibited Substances Commitment, Integrity Business Commitment, Environment, Safety and Energy Notice and Commitment Not to Use Conflict Minerals.

We operate a dynamic "evaluation — classification — empowerment" management system that conducts annual supplier performance evaluations across traditional dimensions including QCDST, with ESG indicators representing approximately 30% of the total evaluation weighting. We have embedded Responsible Business Alliance standards into our supplier audit framework, assessing environmental compliance, labor rights, business ethics and conflict minerals management.

To enhance supply chain resilience, we employ a "prevention — buffer — response" management strategy supported by a supply chain distribution map and database. Regular emergency response drills and our Supply Chain Crisis Management Manual ensure preparedness for potential disruptions including labor disputes and natural disasters. Beyond risk mitigation, we actively collaborate with core suppliers on green technology and process innovation. We partnered with suppliers to optimize manufacturing processes through initiatives such as adopting cold extrusion technology, which reduced process steps and production time while delivering both environmental and economic benefits. We also encourage suppliers to implement circular use of plastics and returnable packaging systems and promote environmentally friendly recyclable packaging materials to reduce energy consumption and carbon emissions during transportation.

Furthermore, we prioritize local procurement to minimize transportation-related environmental impact. In 2025, procurement within Zhejiang Province accounted for approximately 21.7% of total annual procurement value. As part of our supply chain decarbonization strategy, we conducted carbon emissions surveys of our top 10 suppliers by procurement value and will assist these suppliers in establishing carbon reduction targets and implementation roadmaps going forward.

Conflict Minerals Management

We are committed to responsible sourcing and do not support or use conflict minerals originating from conflict-affected regions that lack third-party certification. We strictly comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and communicate these obligations throughout our supply chain to ensure raw material traceability.

We have established policies including the Green Substance Management Regulations, Social Responsibility-Related Minerals Control Management Measures and Conflict Minerals Management Standards. All suppliers must execute a Commitment Not to Use Conflict Minerals during onboarding.

We utilize the Conflict Minerals Reporting Template (CMRT) and Extended Minerals Reporting Template (EMRT) developed by the Responsible Minerals Initiative (RMI) to conduct due diligence on tantalum, tin, gold, tungsten, cobalt and mica. Suppliers involved with conflict minerals lacking third-party certification are prohibited from supplying to us. In 2025, we completed surveys and audits of all relevant suppliers, confirming all associated smelters are listed on RMI or other authoritative certification registries, with no non-conformances identified.

Occupational Health and Safety

Safety management

We prioritize the life safety and occupational health of our employees above all else, upholding the principle of "thinking of danger in times of peace, worrying about chaos in times of governance." We are committed to providing all employees with a safe and healthy working environment and systematically preventing and controlling occupational hazards. We strictly comply with the Work Safety Law of the PRC, the Fire Control Law of the PRC, the Occupational Disease Prevention and Control Law of the PRC and other applicable laws and regulations and have successfully obtained ISO 45001 Occupational Health and Safety Management System certification.

We adhere to the core principle of "safety first, prevention-oriented, full participation, continuous improvement". In 2025, we achieved our core safety targets: zero work-related fatalities, zero occupational diseases, zero major safety incidents and injury rate per thousand employees of less than 3.6‰.

Occupational Health

We regard the occupational health and safety of our employees as the cornerstone of our development. Through continuous improvement of our management systems, risk assessment and strengthened training programs, we have optimized our occupational health and safety management processes across all operations. We strictly comply with the Law of the PRC on Prevention and Control of Occupational Diseases and other applicable laws and regulations to establish an effective occupational disease prevention and control management system. In 2025, we organized occupational health examinations for 1,950 employees exposed to occupational hazards.

During the Track Record Period and up to the Latest Practicable Date, there were no material work-related fatalities, injuries or safety incidents.

Employee Rights Protection

We are committed to open, fair and equal employment practices, strictly complying with the Labor Law, Labor Contract Law, Provisions on the Prohibition of the Use of Child Labor, Law on the Protection of Women's Rights and Interests and other applicable laws and regulations, to ensure standardization and fairness throughout the recruitment, onboarding, employment and resignation processes.

We adhere to the principles of fairness, impartiality, openness, respect and mutual selection, committing not to affect employees' employment, compensation or promotion due to ethnicity, race, nationality, gender, religion, age, skin color, disability, sexual orientation, political affiliation, marital status, union membership, protected veteran status, protected genetic information or other social identities, actively creating a diverse and inclusive workplace environment.

We strictly prohibit the use of child labor or forced labor. We maintain a zero-tolerance approach to discrimination and forced labor and closely monitor overtime practices to safeguard employee well-being. We have established a labor union in accordance with law, respecting and protecting the legitimate rights and interests of all employees and actively implementing the ILO Core Conventions and the Responsible Business Alliance Code of Conduct. We regularly revise the Employee Handbook, solicit employee feedback and execute annual collective agreements with comprehensive employee coverage.

The following table sets forth a breakdown of our workforce composition by gender and age as of June 30, 2026.

Category	Number	Proportion
		(%)
By gender		
Male	3,616	59.6
Female	2,453	40.4
By age		
Under 30 years old	2,979	49.1
30-39 years old	2,565	42.3
40-49 years old	494	8.1
50 years old and above	31	0.5

Talent Management and Development

We regard employees as our most valuable asset, always care about employee growth and development, respect individual value, stimulate internal potential and are committed to providing employees with diversified and broad development platforms, continuously empowering employees and working together to create the future. Based on business characteristics and talent development strategies, we design clear career development paths for employees and assist employees in formulating and achieving personal development goals through systematic training mechanisms. Employees can apply for transfers between different channels according to their own interests and our development needs, achieving vertical promotion and horizontal development.

We support career growth through avenues for both vertical progression and horizontal movement across technical, management and other functional tracks. This flexible approach meets the diverse needs and ambitions of our workforce and promotes a dynamic environment for professional development.

In 2025, we organized a total of 1,311 training sessions, with a training participation rate of 100% for in-service employees and an average annual training hours of about 24.7 hours per person.

Social Responsibility

While focusing on continuous innovation and research, we are committed to public welfare and fulfilling our social responsibilities by contributing to community development and social progress. We believe in giving back to society and actively promoting rural revitalization. To promote the standardization and sustainable development of volunteer services, we have established a Volunteer Service Federation with a volunteer star rating and points reward system based on service hours to encourage employee participation in volunteer activities.

TRANSFER PRICING

We operate through subsidiaries in various countries and regions, including China, Vietnam and Europe. These subsidiaries are mainly engaged in manufacturing, sales and customer services. We conduct intra-group transactions among our subsidiaries. Transfer pricing arrangements for such intra-group transactions should be on an arm's-length basis according to the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**") promulgated by the Organization for Economic Cooperation and Development (the "**OECD**"), an international organization of international cooperation. In this regard, we have engaged a professional tax consultancy firm in the PRC (the "**Transfer Pricing Advisor**") to assist us to review the arm's length nature of the intra-group transfer pricing arrangements of the Group's major entities in accordance with the OECD Transfer Pricing Guidelines and applicable laws and regulations.

During the Track Record Period, our intra-group transactions mainly consist of the following:

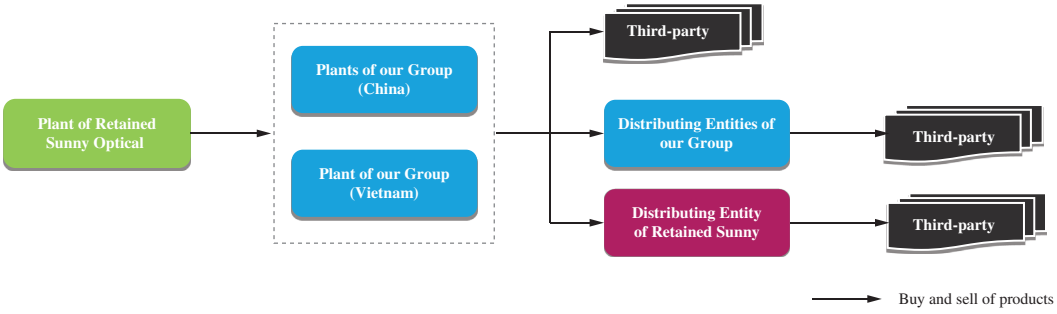
- Manufacturing business — between our Group and the Retained Sunny Optical Technology Group — Supply of products from the plant of Retained Sunny Optical Technology Group to the plants of our Group in China and Vietnam and the manufacturing entity supplying the products was selected as the tested party.

- Manufacturing business — among Group entities — Supply of component and semi-finished goods among the Plants of our Group in China and Vietnam and the manufacturing entities supplying the products were selected as the tested party.

- Distribution business — among Group entities — procurement of finished goods by distributing entities in China and overseas from plants of our Group in China and Vietnam and the distributing entities procuring the products were selected as the tested party.

- Distribution business — between our Group and the Retained Sunny Optical Technology Group — procurement of finished goods by distributing entity of the Retained Sunny Optical Technology Group from plants of our Group in China and Vietnam and the distributing entity procuring the products was selected as the tested party.

The below flowchart depicted the main intra-group transactions under review:



Specifically, based on the requirements of the OECD Transfer Pricing Guidelines and applicable tax laws and regulations in relevant jurisdictions, the Transactional Net Margin Method (TNMM) was selected as appropriate transfer pricing method to assess whether the Covered Transactions are carried out in commensurate with the arm's length principle. The TNMM compares the net profit margin of the tested party engaged in the Covered Transactions with the net profit margins of independent companies engaged in comparable transactions. Based on the Transfer Pricing Advisor's assessment of the Covered Transactions and the transfer pricing benchmarking analysis, which involved screening and evaluating comparable companies, the net profit margin levels of the relevant entities are reasonable and commensurate with their respective functions and risks. Therefore, the profit levels of the reviewed transactions of the reviewed entities comply with the arm's length principle.

After assessing our transfer pricing arrangements during the Track Record Period, our Directors are of the view, based on the advice provided by our Transfer Pricing Adviser that the intra-group transactions were, in all material respects, consistent with the arm's length principle under both the OECD Transfer Pricing Guidelines and the relevant local transfer pricing laws and regulations in the applicable jurisdictions.

During the Track Record Period and up to the Latest Practicable Date, we had not been made aware of any inquiries, audits, investigations, or challenges by the relevant tax authorities in the jurisdictions in which we operate with respect to our intra-group transactions.

To ensure our ongoing compliance with applicable transfer pricing laws and regulations, we have implemented the following measures:

- We adhere to the arm's length principle when entering into intercompany transactions, taking into account factors such as costs, market prices, and the function and risk profiles of each entity, and adopt reasonable transfer pricing methods accordingly.

- We review and monitor our transfer pricing arrangements on an ongoing basis, and continue to engage third party tax advisers to conduct reviews of such arrangements and maintain tax compliance documentation, ensuring they remain in line with the arm's length principle.

- Our finance team regularly participate in transfer pricing training sessions organized by tax authorities or professional firms, so as to maintain a thorough understanding of regulatory requirements and key tax practices. Where transfer pricing documents need to be submitted to tax authorities, such documents would be prepared by designated personnel and submitted after internal review and approval.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems, developing a risk management culture and raising the risk management awareness of all employees. We have adopted and implemented risk management policies in various aspects of our business operations.

Operational Risk Management

We are faced with operational risks relating to our daily operations, which primarily arise from inadequate or failed internal controls and systems, human errors, IT system failures or external events. We consider these operational risks to be the key risks in our business and believe that, with adequate operational policies and procedures, these inherent risks can be controlled and mitigated. We have developed a risk management system monitoring and addressing risks in our daily operations, such as the management of (1) our internal financial records, (2) company chops, (3) key properties and (4) business files.

To ensure the continuity of our business, we have put in place contingency plans for detecting and responding to emergency incidents. In the event of an emergency incident, our contingency plans set out prescribed response protocols applicable to our various business units. We continue to assess the effectiveness of our contingency plans and would perform reviews after each emergency incident to identify potential areas for improvement. We also conduct regular emergency response drills to ensure our employees are familiar with our response protocols.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as treasury management policy and financial statement management policy. We have various procedures in place to implement our accounting policies and our financial department reviews our management accounts based on such procedures.

Information System Risk Management

We have implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any information leakage or loss of user data that would have a material and adverse effect on our operations. We have instituted and implemented stringent information system monitoring procedures. These procedures involve the regular generation of monitoring logs, which meticulously record the operational status of our information system network equipment, network traffic, user activities, exceptions and information security events. We also dedicated information system administrators to review the security situation to maintain high standards of data integrity and security. This review process includes examining authorized access, privileged operations, attempts at unauthorized access, system failures and anomalies.

Regulatory Compliance Risk Management

We are subject to evolving regulatory requirements in the PRC, including requirements to obtain and renew certain licenses, permits, approvals and certificates for our business operations in different regions. In order to manage our ongoing compliance with the laws and regulations applicable to our business effectively, we have implemented several internal control measures. In particular, we designated personnel to regularly monitor changes in laws, regulations and policies issued by the relevant government authorities in the regions in which we operate to ensure we obtain requisite licenses to operate our business and we have an up-to-date understanding of the applicable requirements. In addition, we monitor and review the status of our licenses and permits on a regular basis. We continually improve our internal compliance policies according to changes in laws, regulations and industry standards and update our internal contract terms accordingly.

Internal Control Risk Management

We have designed and adopted strict internal control procedures to ensure the compliance of our business operations with the relevant rules and regulations. In accordance with these procedures, our in-house legal department reviews and updates the forms of contracts that we enter into, examines the contract terms and reviews all relevant documents for our business operations and is responsible for obtaining any requisite governmental pre-approvals or consents. We have strictly prohibited our employees from receiving kickbacks, bribing others, or secretly receiving commissions or any other personal benefits.

Human Resources Risk Management

We have implemented a human resource management system to ensure the effective functioning of us, safeguard the legitimate rights and interests of both parties to the employment relationship and improve operating efficiency. Our internal human resource management system covers all the stages of employment relationship, from recruitment to probation, appraisal, promotion and review and exit.

We have in place an employee handbook and a code of conduct approved by our management and have distributed them to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular trainings, as well as resources to explain the guidelines contained in the employee handbook.

Credit Risk Management

We face credit risks primarily arising from our products and services delivered to the extent that our customers fail to perform their payment obligations as provided in the sales and service agreements. We implement policies to control our credit exposure. We assess the creditworthiness of our customers based on their financial condition, the possibility of obtaining third-party guarantees, credit history and other factors such as current market conditions. Appropriate credit periods are set accordingly.

To further mitigate credit risks, we regularly monitor our customer's credit records. For customers with poor credit history, we adopt measures such as sending written reminders, shortening the credit period, or canceling the credit period altogether. These practices ensure that our overall credit risk remains within a manageable range.

Internal Audit

We have established an Audit Committee to monitor the implementation of our risk management policies across our Group on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee consists of three members, one of whom is an independent non-executive Directors. Ms. Wong Sau Pik is the chairman of the Audit Committee. For the professional qualifications and experiences of the members of our Audit Committee, see "Directors and Senior Management."

We also maintain an internal audit department, which is responsible for reviewing the effectiveness of internal controls and reporting any identified issues to the Audit Committee and senior management. The internal audit department reports to the Audit Committee to ensure that any major issues identified are channeled to the committee on a timely basis. The Audit Committee then discusses the issues and corresponding measures to address them and reports to the board of directors, if necessary.

AWARDS AND RECOGNITIONS

As a leader in automotive optical industry, we have received numerous awards and recognitions for our brand, business operations, products and corporate responsibility achievements. The table below sets forth a summary of significant awards and recognitions that we have received during the Track Record Period.

Year	Awards/Recognition	Awarding Institution
2026 . .	Zhejiang Provincial People's Government Quality Award	Zhejiang Provincial People's Government
2025 . .	Zhejiang Province Green and Low-Carbon Factory	Department of Economy and Information Technology of Zhejiang Province
	Zhejiang Province Digital Workshop	Department of Economy and Information Technology of Zhejiang Province
	Zhejiang Province Enterprise with Modern Management	Department of Economy and Information Technology of Zhejiang Province
	Ningbo Patent Innovation Competition	Ningbo Municipal Administration for Market Regulation
2024 . .	The Sixth Batch of Specialized and Innovative Little Giant Enterprise	Ministry of Industry and Information Technology of the PRC
	Zhejiang Province Top 100 Most Creative Enterprise (2023)	Intellectual Property Association of Zhejiang Province
	Outstanding Unit for AI Industry Innovation Challenge (National "Unveiling and Appointing Commanders" Initiative)	Ministry of Industry and Information Technology of the PRC
	Ningbo Municipal People's Government Quality Award	Ningbo Municipal People's Government
	Ningbo Patent Innovation Competition	Ningbo Municipal Administration for Market Regulation
	Ningbo Manufacturing Enterprise Digitalization Four-star Enterprise	Ningbo Municipal Bureau of Economy and Information Technology
	Ningbo New Energy and Intelligent Connected Vehicle Key Component Chain Strengthening and Supplementing Product	Ningbo Municipal Bureau of Economy and Information Technology

Year	Awards/Recognition	Awarding Institution
2023 . .	Zhejiang Province Intellectual Property Demonstration Enterprise	Administration for Market Regulation of Zhejiang Province
	Zhejiang Provincial Intellectual Property Award	Zhejiang Provincial People's Government
	Zhejiang Province Technology Little Giant Enterprise	Department of Science and Technology of Zhejiang Province
	Ningbo Key Independent Innovation Product	Ningbo Municipal Bureau of Science and Technology
	Ningbo Top 100 R&D Investment Enterprise	Ningbo Municipal Bureau of Economy and Information Technology
	Ningbo Management Excellence Benchmark Enterprise	Ningbo Municipal Bureau of Economy and Information Technology
	Zhejiang Provincial Leading Technology Demonstration Enterprise Award	Department of Science and Technology of Zhejiang Province
	Zhejiang Manufacturing Premium	Department of Economy and Information Technology of Zhejiang Province
	Ningbo Science and Technology Award	Ningbo Municipal People's Government