The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included in Appendix I to this Document. The financial information as set out in the Accountants' Report incorporates our financial statements during the Track Record Period. You should read the whole Accountants' Report and not rely merely on the information in this section. For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider all of the information provided in this Document, including the sections headed "Forward-Looking Statements", "Risk Factors" and "Business" in this Document.

OVERVIEW

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. During the Track Record Period, our revenue amounted to RMB5,262.2 million, RMB5,989.3 million, RMB7,188.8 million, RMB3,352.0 million and RMB3,701.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the principle of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

The historical financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

See note 2 to the Accountants' Report in Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The success and growth of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address to optimize our results of operations and sustain our growth.

Demand and Growth of the Vehicle Optical Product Market

Our results of operations and financial condition are primarily driven by the development of the vehicle optical product market, especially the vehicle camera products we focus on, which represent a key product category and are the main source of our revenue. Our performance is therefore closely linked to the expansion of this market and, in particular, to demand for (i) vehicle camera products, including sensing products and cabin products and (ii) other vehicle optical products.

According to F&S, from 2021 to 2025, the global vehicle camera solution market size grew from RMB61.4 billion to RMB107.0 billion, representing a CAGR of 14.9%. Looking ahead, according to the same source, the global vehicle camera solution market size is expected to grow from RMB107.0 billion to RMB222.1 billion from 2025 to 2030, representing a CAGR of 15.7%. The growth of the global vehicle camera solution market is principally driven by a confluence of factors. The sustained expansion of the global vehicle market establishes a broad demand base, significantly amplified by the rapid proliferation of NEVs with ADAS and ADS features that require a higher number of cameras. This trend is further accelerated by advancements in vehicle intelligence, notably the progression towards higher-level autonomous driving and the deep integration of sensing and cabins, which together demand both a greater quantity and superior performance from camera products. In addition, the iterative upgrading of core technologies, such as optical design and manufacturing processes, not only enhances camera performance but also reduces the costs of large-scale application, providing technical support for market expansion. Furthermore, increasingly stringent global safety regulations and supportive government policies are creating a mandatory framework for camera adoption, thereby solidifying and catalyzing market expansion. During the Track Record Period, our revenue generated from sales of vehicle camera products amounted to RMB4,984.0 million, RMB5,679.5 million, RMB6,863.1 million, RMB3,209.0 million and RMB3,441.2 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

In addition, leveraging our advanced automotive optical technology and 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. The rapid expansion of other vehicle optical market plays as another key driver that fuels our overall revenue growth. From 2021 to 2025, the global vehicle LiDAR solution market size expanded rapidly from RMB2.3 billion to RMB17.0 billion, representing a CAGR of 64.9%; the global vehicle HUD solution market size expanded from RMB7.1 billion to RMB14.2 billion, representing a CAGR of 18.9%; the global smart vehicle lighting solution market size expanded from RMB56.1 billion to RMB121.7 billion, representing a CAGR of 21.4%. Looking ahead, from 2025 to 2030, the global vehicle LiDAR market size is projected to grow from RMB17.0 billion to RMB103.4 billion, representing a CAGR of 43.5%; the global vehicle HUD solution market size is projected to grow from RMB14.2 billion to RMB44.7 billion, representing a CAGR of 25.8%; the global smart vehicle lighting solution market size is projected to grow from RMB121.7 billion to RMB215.4 billion, representing a CAGR of 12.1%. During the Track Record Period, our revenue generated from sales of other vehicle optical products amounted to RMB278.2 million, RMB309.8 million, RMB325.8 million, RMB143.0 million and RMB260.4 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

To seize the business opportunities in market growth, we have made a variety of efforts on 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. With the support of our integrated business model, we experienced a steady revenue growth during the Track Record Period. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our total revenue amounted to RMB5,262.2 million, RMB5,989.3 million, RMB7,188.8 million, RMB3,352.0 million and RMB3,701.6 million, respectively.

Expansion of Our Sales Network and Customer Base

Our ability to expand our sales network to attract new customers and expand into new geographic regions is a key driver of our revenue growth and overall financial performance. As of June 30, 2026, our products were sold globally, reaching markets across Chinese Mainland, Europe, North America and Asia (except Chinese Mainland). We put 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 or 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. See "Business — Sales, Marketing and Customers — Sales Model — Direct Sales." This approach enables us to achieve broad geographic coverage and deeper market penetration, while supporting efficient payment collection and mitigating associated financial risks.

Product Research and Development

Our revenue growth depends on our ability to make technological advancements and to develop products that meet the evolving needs of our customers and the broader automotive industry. 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, advanced manufacturing processes and system integration. This foundation enables innovation throughout the entire lifecycle, from initial concept design through development, validation and ultimately commercialization.

We have successfully developed milestone products and achieved performance breakthroughs, continuously leading technological development and product iteration in the automotive optical field. We have made, and expect to continue to make, substantial investments in R&D. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our R&D expenditure amounted to RMB485.1 million, RMB545.9 million, RMB559.7 million, RMB279.6 million and RMB258.5 million, respectively, representing 9.2%, 9.1%, 7.8%, 8.3% and 7.0% of our revenue for the same periods. We intend to continue investing in R&D to deliver high-quality products to our customers. As of the Latest Practicable Date, we possess a large patent portfolio, with 899 registered patents in total, including 601 invention patents. See "Business — Strengths — Integrated Automotive Optical Technology Platforms." We believe our ability to rapidly innovate, scale and expand our product offerings in response to market and customer needs will continue to drive our growth and solidify our market position in the industry.

Our Manufacturing Capabilities and Cost Management

Our future profitability depends significantly on our ability to control manufacturing costs, which are affected by a number of factors, such as our manufacturing efficiency, supply chain stability and production yield. Engineering and manufacturing capabilities are crucial to the success of large-scale mass production and delivery. 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. 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. In addition, 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. We believe that as we ramp up production volume and continue to optimize and streamline our manufacturing processes, we will achieve economies of scale and efficiency gains that will reduce our unit manufacturing costs and improve our overall cost structure. Moreover, 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.

Foreign Exchange Rate Fluctuations

During the Track Record Period, our rapid business expansion into multiple countries and regions resulted in a significant increase in the scale of our cross-border fund settlements and foreign currency-denominated assets, mainly in US dollar. During the same period, we recorded net foreign exchange gains of RMB48.4 million and RMB47.2 million in 2023 and 2024, and net foreign exchange losses of RMB44.6 million, RMB15.3 million and RMB18.3 million in 2025 and the six months ended June 30, 2025 and 2026. As a result, exchange rate fluctuations in these and other currencies may affect our settlement costs and the value of our foreign currency-denominated assets and liabilities.

Our Directors expect that the US dollar and other foreign currencies will continue to be used in our business in the foreseeable future. Therefore, foreign exchange rate fluctuations are expected to continue to affect our financial condition and results of operations.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Material Accounting Policy Information

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in note 4 to the Accountants' Report included in Appendix I to this Document.

Merger Accounting for Business Combination Involving Businesses under Common Control

The historical financial information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

Expenditure incurred in relation to a common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which it is incurred.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where there is a shorter period.

The comparative amounts in the historical financial information are presented as if the combining businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue

Performance Obligations for Contracts with Customers and Revenue Recognition Policies

We sell vehicle camera products and other vehicle optical products to customers. For sales of vehicle camera products and other vehicle optical products, revenue is recognized when control of the goods has been transferred, generally occurring upon shipment, delivery, customer acceptance or customer usage according to the terms of the underlying contract, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products. Transportation and handling activities that occur before customers obtain control are considered as fulfillment activities. We generally grant our customers credit terms at average 90 days. The transaction price received by us is recognized as a contract liability for sales in which revenue has yet been recognized.

Transaction Price Allocated to the Remaining Performance Obligation for Contracts with Customers

We apply the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as our contract has an original expected duration of less than one year.

Government Grants

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are recognized as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Our property, plant and equipment are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When we make payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the combined statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which we must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that we manage together and have a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

In addition, we may irrevocably designate our financial assets that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized Cost and Interest Income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, expect for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these receivables had been measured at amortized cost. All other changes in the carrying amount of these receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Our financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by us are recognized at the proceeds received, net of direct issued costs.

Repurchase of our own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of our own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost

Financial liabilities, including trade and other payables, amounts due to related parties and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the "Other gains and losses" line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

We derecognize financial liabilities when, and only when, our obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Key Source of Estimation Uncertainty

In the application of our accounting policies, which are set forth in note 4 to the Accountants' Report included in Appendix I to this Document, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

We use provision matrix to calculate ECL for the trade receivables which are not credit-impaired. The provision matrix is based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision rate is based on our historical observed default rates taking into consideration the forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables which are credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and our trade receivables are disclosed in note 23 and 33 to the Accountants' Report included in Appendix I to this Document, respectively.

Recognition of deferred tax assets

No deferred tax asset has been recognized as of December 31, 2023, 2024, 2025 and June 30, 2026, on the tax losses of RMB302,069,000, RMB334,023,000, RMB339,800,000 and RMB362,563,000, respectively, either due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the foreseeable future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain

macroeconomic and geopolitical environment, which includes the impact of changes in global trade (e.g. new or increase tariffs and import duties), persistent effects of climate-related matters, inflation, volatility in foreign exchange rates, increased interest rates, changes in commodity pricing, volatility in energy prices and financial market turbulence. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

COMBINED STATEMENT OF PROFIT OR LOSS

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(Unaudited)	
Revenue	5,262,204	5,989,257	7,188,840	3,352,018	3,701,605
Cost of sales	(3,385,601)	(3,863,910)	(4,862,921)	(2,194,165)	(2,578,162)
Gross profit	**1,876,603**	**2,125,347**	**2,325,919**	**1,157,853**	**1,123,443**
Other income	57,012	59,396	59,964	19,132	36,325
Other gains and losses	48,926	46,385	(35,330)	(15,037)	(10,467)
[REDACTED]	–	–	(9,554)	–	(7,806)
Impairment losses under expected credit loss ("ECL") model, net of reversal	3,861	1,237	(960)	184	(1,286)
Selling and distribution expenses	(64,735)	(66,271)	(85,309)	(39,778)	(39,986)
Research and development expenditure	(485,056)	(545,917)	(559,716)	(279,647)	(258,525)
Administrative expenses	(158,950)	(182,030)	(188,181)	(94,757)	(83,271)
Finance costs	(7,172)	(10,898)	(14,304)	(6,144)	(9,111)
Profit before tax	**1,270,489**	**1,427,249**	**1,492,529**	**741,806**	**749,316**
Income tax expense	(130,055)	(155,521)	(203,143)	(84,563)	(83,863)
Profit for the year/period	**1,140,434**	**1,271,728**	**1,289,386**	**657,243**	**665,453**
Attributable to:					
– Owners of the Company	1,128,215	1,258,239	1,266,621	650,387	665,453
– Non-controlling interests	12,219	13,489	22,765	6,856	–
	1,140,434	1,271,728	1,289,386	657,243	665,453

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue by Product Category

During the Track Record Period, our revenue was derived from the sales of (i) vehicle camera products, including sensing products and cabin products and (ii) other vehicle optical products, primarily including LiDAR, in-cabin projection display and automotive lighting products.

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.

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.

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	12.0	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.

Cost of Sales

Our cost of sales primarily consisted of (i) raw materials, including 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), and (ii) labor cost. The following table sets forth a breakdown of our cost of sales by nature 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)*			
Raw materials	2,423,500	71.6	2,922,578	75.6	3,708,600	76.3	1,657,996	75.6	1,896,745	73.5
– Optical materials and components	1,099,875	32.5	1,195,110	30.9	1,591,740	32.7	701,992	32.0	870,364	33.7
– Electronic components	691,362	20.4	952,854	24.7	1,154,789	23.8	504,650	23.0	520,302	20.2
– Structural components	632,263	18.7	774,614	20.0	962,071	19.8	451,354	20.6	506,079	19.6
Labor cost	518,494	15.3	512,274	13.3	628,615	12.9	296,778	13.5	367,779	14.3
Others[(1)]	443,607	13.1	429,058	11.1	525,705	10.8	239,391	10.9	313,638	12.2
Total	**3,385,601**	**100.0**	**3,863,910**	**100.0**	**4,862,921**	**100.0**	**2,194,165**	**100.0**	**2,578,162**	**100.0**

Note:

(1) Others mainly included consumable, utility fees and depreciation and amortization.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales and our gross profit margin represents gross profit divided by our revenue, expressed as a percentage. The following table sets forth our gross profit and gross margins by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
		(%)		(%)		(%)		(%)		(%)
	(RMB in thousands, except for percentage)									
							(Unaudited)			
Vehicle camera products										
– Sensing products	1,304,403	37.7	1,410,626	36.4	1,578,622	33.5	797,903	36.9	746,370	31.4
– Cabin products	473,794	31.1	602,721	33.5	685,918	31.8	331,425	31.7	336,917	31.6
Subtotal	**1,778,197**	**35.7**	**2,013,347**	**35.4**	**2,264,540**	**33.0**	**1,129,328**	**35.2**	**1,083,288**	**31.5**
Other vehicle optical products[(1)]	**98,406**	**35.4**	**112,000**	**36.2**	**61,379**	**18.8**	**28,525**	**19.9**	**40,156**	**15.4**
Total	**1,876,603**	**35.7**	**2,125,347**	**35.5**	**2,325,919**	**32.4**	**1,157,853**	**34.5**	**1,123,443**	**30.4**

Note:

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

Our gross profit margins during the Track Record Period were at the higher end of the industry spectrum. This strong performance is primarily due to (i) average selling prices of our products, which were positioned at the higher end of the market price range, primarily attributable to our leading technological capabilities and focus on relatively high-end product offerings, (ii) our product mix, as front sensing products and rear and surround view products collectively accounted for a majority of our total revenue in each period during the Track Record Period and such products are among the higher-margin categories within automotive optical products, primarily due to their higher technological barriers and greater process precision, (iii) our customer mix, as overseas customers sometimes demand higher performance standards, which are associated with higher gross profit margins, and our revenue from overseas customers accounted for 55.1%, 48.2%, 40.8%, 44.3% and 42.8% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, which was higher compared to other domestic market players, according to F&S and (iv) our cost optimization capabilities, including (a) significant economies of scale as the world's largest supplier of vehicle camera solutions by shipment volume in each period during the Track Record Period, contributing to lower unit costs, (b) industry-leading automation rates exceeding 90% and yield rates of 95% as of June 30, 2026, compared to the industry automation rate of approximately 83% and yield rate of 92% according to F&S, thereby reducing unit costs, and (c) a capacity utilization rate of approximately 75% in each period during the Track Record Period, compared to the industry average of approximately 70% according to F&S, which further contributed to lower unit costs.

Other Income

Our other income primarily consisted of (i) government grants, which were mainly in relation to our R&D efforts and (ii) VAT exemption in relation to the preferential tax treatment of our certain PRC subsidiaries. Our other income amounted to RMB57.0 million, RMB59.4 million, RMB60.0 million RMB19.1 million and RMB36.3 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

Other Gains and Losses

Our other gains and losses primarily consisted of net foreign exchange gains and losses. We recorded other gains of RMB48.9 million and RMB46.4 million in 2023 and 2024, which returned to other losses of RMB35.3 million, RMB15.0 million and RMB10.5 million in 2025 and the six months ended June 30, 2025 and 2026.

Impairment Losses under Expected Credit Loss ("ECL") Model, Net of Reversal

Our impairment losses under ECL model, net of reversal, represented provision for trade receivables. In 2023, 2024 and the six months ended June 30, 2025, we recorded net reversal of impairment losses under ECL model, of RMB3.9 million, RMB1.2 million and RMB0.2 million, respectively. We recorded impairment losses under ECL model of RMB1.0 million in 2025 and RMB1.3 million in the six months ended June 30, 2026.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of (i) employee benefits related to sales and marketing personnels, (ii) marketing expenses and (iii) office expenses. The following table sets forth a breakdown of our selling and distribution expenses 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)			
Employee benefits	36,883	57.0	36,295	54.8	47,284	55.4	23,206	58.3	25,366	63.4
Marketing expenses	15,634	24.2	16,946	25.6	23,888	28.0	10,650	26.8	6,990	17.5
Office expenses	8,075	12.5	8,814	13.3	10,365	12.2	4,283	10.8	6,056	15.2
Others[(1)]	4,143	6.4	4,216	6.4	3,772	4.4	1,639	4.1	1,574	3.9
Total	**64,735**	**100.0**	**66,271**	**100.0**	**85,309**	**100.0**	**39,778**	**100.0**	**39,986**	**100.0**

Note:

(1) Others mainly included depreciation.

Research and Development Expenditure

Our research and development expenditure primarily consisted of (i) employee benefits related to our R&D personnels, (ii) utility and consumables, (iii) technical service fees and (iv) depreciation and amortization. The following table sets forth a breakdown of our research and development expenditure 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)*			
Employee benefits	306,793	63.2	335,005	61.4	368,211	65.8	181,544	64.9	191,369	74.0
Utility and consumables	106,486	22.0	115,504	21.2	94,187	16.8	43,734	15.6	38,565	14.9
Technical service fees	33,994	7.0	49,834	9.1	49,438	8.8	30,440	10.9	9,278	3.6
Depreciation and amortization	30,489	6.3	36,074	6.6	36,150	6.5	18,544	6.6	14,523	5.6
Others[(1)]	7,294	1.5	9,500	1.7	11,730	2.1	5,386	1.9	4,790	1.9
Total	**485,056**	**100.0**	**545,917**	**100.0**	**559,716**	**100.0**	**279,647**	**100.0**	**258,525**	**100.0**

Note:

(1) Others mainly included testing fees, repair and maintenance costs and traveling expenses.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefits related to general and administrative personnel, (ii) short-term lease expenses, (iii) utility and consumables, (iv) depreciation and amortization and (v) office expenses. The following table sets forth a breakdown of our administrative expenses 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)*			
Employee benefits	133,781	84.2	146,120	80.3	127,746	67.9	68,844	72.7	55,473	66.6
Short-term lease expenses	2,846	1.8	7,419	4.1	11,626	6.2	6,252	6.6	4,179	5.0
Utility and consumables	4,239	2.7	6,719	3.7	10,360	5.5	5,144	5.4	5,410	6.5
Depreciation and amortization	4,214	2.6	5,358	2.9	11,471	6.1	3,946	4.2	6,408	7.7
Office expenses	8,311	5.2	7,466	4.1	8,434	4.5	4,243	4.5	5,763	6.9
Others[(1)]	5,559	3.5	8,948	4.9	18,544	9.8	6,328	6.7	6,038	7.3
Total	**158,950**	**100.0**	**182,030**	**100.0**	**188,181**	**100.0**	**94,757**	**100.0**	**83,271**	**100.0**

Note:

(1) Others mainly included legal and professional fees, traveling expenses and bank charges.

Finance Costs

Our finance costs represented (i) interests on amounts due to related parties, (ii) interests on bank borrowings and (iii) interests on lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(Unaudited)	
Interests on amounts due to related parties	2,823	9,138	20,307	10,534	–
Interests on bank borrowings	1,881	5,608	9,052	3,609	16,420
Interests on lease liabilities	2,520	1,978	1,435	787	324
Less: Amount capitalized in construction in progress	(52)	(5,826)	(16,490)	(8,786)	(7,633)
Total	**7,172**	**10,898**	**14,304**	**6,144**	**9,111**

Income Tax Expense

Our income tax expense consisted of current tax and deferred tax. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our income tax expense amounted to RMB130.1 million, RMB155.5 million, RMB203.1 million, RMB84.6 million and RMB83.9 million, respectively.

See note 11 to the Accountants' Report in Appendix I to this Document.

PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except as described below:

Sunny Automotive Optech and Sunny SmartLead, domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date in December 2026.

Vietnam and Hong Kong

Our Group is subject to the global minimum top-up tax Pillar Two Rules during the Track Record Period. Pillar Two Rules set out a global tax framework developed by the OECD to ensure large multinational enterprises pay a minimum tax rate of 15% on income arising in each jurisdiction where they operate. Pillar Two Rules has become effective in certain countries/regions in which the certain group entities are incorporated including Vietnam in which SAV and SAOV are incorporated and Hong Kong in which certain subsidiaries of Sunny Optical Technology are incorporated. The top-up tax relates to our operations in Vietnam and Hong Kong, where the annual effective income tax rates are estimated to be below 15%. Therefore, a top-up tax is accrued in the current period using the tax rate based on the estimated adjusted covered taxes and net globe income for 2024, 2025 and the six months ended June 30, 2025 and 2026. We have recognized the current tax expense of RMB16.8 million and RMB6.9 million related to the top-up tax for the year ended December 31, 2024 and the six months ended June 30, 2025, which is expected to be levied on Vietnam. We have recognized the current tax expense of RMB48.1 million and RMB6.2 million related to the top-up tax for the year ended December 31, 2025 and the six months ended June 30, 2026, which is expected to be levied on Vietnam and Hong Kong.

We have applied the temporary mandatory exception for recognizing and disclosing deferred tax assets and liabilities for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

We have taken the following measures in response to the implementation of Pillar Two Rules: (i) we have engaged professional tax advisors to assess the full impact of Pillar Two Rules on its effective tax rate and overall tax position; and (ii) we constantly evaluate our corporate and operational structure to ensure tax efficiency while maintaining full compliance with the Pillar Two Rules framework.

Other Jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Revenue

Our revenue increased by 10.4% from RMB3,352.0 million in the six months ended June 30, 2025 to RMB3,701.6 million in the six months ended June 30, 2026.

Revenue by Product Category

Our revenue from vehicle camera products increased by 7.2% from RMB3,209.0 million in the six months ended June 30, 2025 to RMB3,441.2 million in the six months ended June 30, 2026, primarily due to (i) an increase in the sales volume of sensing products from 34,564 thousand units to 38,349 thousand units resulting from a continuous growth in sales of NEVs globally and an increase in popularity for vehicles installed with ADAS and ADS features, which in both cases require more vehicle cameras to be installed and (ii) an increase in the sales volume of cabin products from 33,399 thousand units to 38,427 thousand units resulting from a continuous growth in sales of NEVs globally and increased consumers' preference for safer and more comfortable cabin experience.

Our revenue from other vehicle optical products increased by 82.1% from RMB143.0 million in the six months ended June 30, 2025 to RMB260.4 million in the six months ended June 30, 2026, primarily due to an increase in LiDAR products driven by increased customer demand for our upgraded LiDAR products.

Revenue by Geographic Location

Our revenue from Chinese Mainland increased by 13.3% from RMB1,867.6 million in the six months ended June 30, 2025 to RMB2,116.9 million in the six months ended June 30, 2026 primarily due to an increase in our sales to domestic customers in line with their sales growth driven by highly recognized and innovative products launched in recent years.

Our revenue from Europe increased by 9.7% from RMB643.7 million in the six months ended June 30, 2025 to RMB706.4 million in the six months ended June 30, 2026, primarily due to an increase our sales to European customers resulting from a robust market growth in Europe, according to F&S.

Our revenue from North America increased by 15.2% from RMB356.3 million in the six months ended June 30, 2025 to RMB410.6 million in the six months ended June 30, 2026, primarily due to an increase our sales to the United States resulting from a robust market growth in America, according to F&S.

Our revenue from Asia (except Chinese Mainland) remained relatively stable at RMB403.5 million in the six months ended June 30, 2025 and RMB400.2 million in the six months ended June 30, 2026.

Our revenue from others decreased by 16.6% from RMB81.0 million in the six months ended June 30, 2025 to RMB67.5 million in the six months ended June 30, 2026, primarily due to a decrease in our sales to Africa resulting from the decreased demand from a certain customer.

Cost of Sales

Our cost of sales increased by 17.5% from RMB2,194.2 million in the six months ended June 30, 2025 to RMB2,578.2 million in the six months ended June 30, 2026, primarily due to an increase in purchase of raw materials in line with our sales growth.

Gross Profit and Gross Profit Margin

Our gross profit remained relatively stable at RMB1,157.9 million in the six months ended June 30, 2025 and RMB1,123.4 million in the six months ended June 30, 2026. Our gross profit margin decreased from 34.5% in the six months ended June 30, 2025 to 30.4% in the six months ended June 30, 2026, primarily due to a decrease in the gross profit margin in both of our vehicle camera products and other vehicle optical products.

The gross profit margin of our vehicle camera products decreased from 35.2% in the six months ended June 30, 2025 to 31.5% in the six months ended June 30, 2026, primarily due to a decrease in gross profit margin of sensing products from 36.9% in the six months ended June 30, 2025 to 31.4% in the six months ended June 30, 2026 resulting from an increase in the revenue contribution from certain customized products with relatively low margin to meet the specific requirements of our customers.

The gross profit margin of our other vehicle optical products decreased from 19.9% in the six months ended June 30, 2025 to 15.4% in the six months ended June 30, 2026, primarily due to new product launches, which led to higher upfront investment costs.

Other Income

Our other income increased from RMB19.1 million in the six months ended June 30, 2025 to RMB36.3 million in the six months ended June 30, 2026, primarily due to an increase in interest income from short term fixed deposits, pledged bank deposits and bank balances.

Other Losses

Our other losses decreased from RMB15.0 million in the six months ended June 30, 2025 to RMB10.5 million in the six months ended June 30, 2026, primarily due to an increase in fair value changes of financial assets at FVTPL resulting from our purchase of wealth management products.

Impairment Losses under Expected Credit Loss ("ECL") Model, Net of Reversal

We recorded impairment losses under ECL model of RMB1.3 million in the six months ended June 30, 2026, as compared to net reversal of impairment gains under ECL model of RMB0.2 million in the six months ended June 30, 2025.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB39.8 million in the six months ended June 30, 2025 and RMB40.0 million in the six months ended June 30, 2026.

Research and Development Expenditure

Our research and development expenditure decreased by 7.6% from RMB279.6 million in the six months ended June 30, 2025 to RMB258.5 million in the six months ended June 30, 2026, primarily due to a decrease in technical service fees resulting from an increase in the proportion of R&D projects conducted in-house.

Administrative Expenses

Our administrative expenses decreased by 12.1% from RMB94.8 million in the six months ended June 30, 2025 to RMB83.3 million in the six months ended June 30, 2026, primarily due to a decrease in employee benefits as we streamlined our administrative team and refined our compensation structure to enhance operational efficiency.

Finance Costs

Our finance costs increased significantly from RMB6.1 million in the six months ended June 30, 2025 to RMB9.1 million in the six months ended June 30, 2026, primarily due to an increase in interests on bank borrowings resulting from our increased bank borrowings to finance our working capital needs.

Income Tax Expense

Our income tax expense remained relatively stable at RMB84.6 million in the six months ended June 30, 2025 and RMB83.9 million in the six months ended June 30, 2026.

Profit for the Period

Our profit for the period remained relatively stable at RMB657.2 million in the six months ended June 30, 2025 and RMB665.5 million in the six months ended June 30, 2026.

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

Revenue

Our revenue increased by 20.0% from RMB5,989.3 million in 2024 to RMB7,188.8 million in 2025.

Revenue by Product Category

Our revenue from vehicle camera products increased by 20.8% from RMB5,679.5 million in 2024 to RMB6,863.1 million in 2025, primarily due to (i) an increase in the sales volume of sensing products from 51,168 thousand units to 69,716 thousand units resulting from a continuous growth in sales of NEVs globally and an increase in popularity for vehicles installed with ADAS and ADS features, which in both cases require more vehicle cameras to be installed and (ii) an increase in the sales volume of cabin products from 51,969 thousand units to 68,827 thousand units resulting from a continuous growth in sales of NEVs globally and increased consumers' preference for safer and more comfortable cabin experience.

Our revenue from other vehicle optical products remained relatively stable at RMB309.8 million in 2024 and RMB325.8 million in 2025.

Revenue by Geographic Location

Our revenue from Chinese Mainland increased by 37.3% from RMB3,102.6 million in 2024 to RMB4,258.6 million in 2025, primarily due to an increase in our sales to domestic customers in line with their sales growth driven by highly recognized and innovative products launched in recent years.

Our revenue from Europe decreased by 4.6% from RMB1,328.3 million in 2024 to RMB1,266.5 million in 2025, primarily due to a decrease in our sales to European customers resulting from a change in the market landscape.

Our revenue from North America remained relatively stable at RMB719.5 million in 2024 and RMB719.9 million in 2025.

Our revenue from Asia (except Chinese Mainland) increased by 14.2% from RMB697.1 million in 2024 to RMB795.7 million in 2025, primarily due to an increase in our sales to Korean customers resulting from the continuous growth of demand from our existing customers.

Our revenue from others increased by 4.4% from RMB141.8 million in 2024 to RMB148.1 million in 2025, primarily due to our sales growth in Africa resulting from the continuous growth of demand from a certain customer.

Cost of Sales

Our cost of sales increased by 25.9% from RMB3,863.9 million in 2024 to RMB4,862.9 million in 2025, primarily due to an increase in purchase of raw materials in line with our sales growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 9.4% from RMB2,125.3 million in 2024 to RMB2,325.9 million in 2025. Our gross profit margin decreased from 35.5% in 2024 to 32.4% in 2025, primarily due to a decrease in the gross profit margin in both of our vehicle camera products and other vehicle optical products.

The gross profit margin of our vehicle camera products decreased from 35.5% in 2024 to 32.4% in 2025, primarily due to a decrease in gross profit margin of sensing products from 36.4% in the 2024 to 33.5% in 2025 and a decrease in gross profit margin of cabin products from 33.5% in 2024 to 31.8% in 2025 resulting from a slight decrease in average selling prices of our products as we adopted more competitive pricing in response to intensified market competition, partially offset by the economics of scale resulting from increased sales volume.

The gross profit margin of our other vehicle optical products decreased from 36.2% in 2024 to 18.8% in 2025, primarily due to decreased selling prices of LiDAR and in-cabin projection display products in line with the industry trend driven by intensified market competition.

Other Income

Our other income remained relatively stable at RMB59.4 million in 2024 and RMB60.0 million in 2025.

Other Gains and Losses

We recorded other losses of RMB35.3 million in 2025 as compared to gains of RMB46.4 million in 2024, primarily due to an increase in net foreign exchange losses resulting from the depreciation of US dollar.

Impairment Losses under Expected Credit Loss ("ECL") Model, Net of Reversal

We recorded net reversal of impairment losses under ECL model of RMB1.2 million in 2024, as compared to impairment losses under ECL model of RMB1.0 million in 2025.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 28.7% from RMB66.3 million in 2024 to RMB85.3 million in 2025, primarily due to (i) an increase in average remuneration to incentivize our sales team and (ii) an increase in marketing expenses resulting from our enhanced marketing efforts to increase our market share and customer base.

Research and Development Expenditure

Our research and development expenditure remained relatively stable at RMB545.9 million in 2024 and RMB559.7 million in 2025.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB182.0 million in 2024 and RMB188.2 million in 2025.

Finance Costs

Our finance costs increased by 31.3% from RMB10.9 million in 2024 to RMB14.3 million in 2025, primarily due to an increase in (i) interests on bank borrowings resulting from our increased bank borrowings to finance our working capital needs and (ii) interests on amounts due to a related party to fund our plant construction in Vietnam, partially offset by an increase in amount capitalized in construction in progress following the commencement of our plant construction in Vietnam.

Income Tax Expense

Our income tax expense increased by 30.6% from RMB155.5 million in 2024 to RMB203.1 million in 2025, primarily due to an increase in top-up tax under Pillar Two rules, which became effective: (i) in Vietnam, where SAV and SAOV are incorporated, for the years ended December 31, 2024 and 2025 and (ii) in Hong Kong, where certain subsidiaries of Sunny Optical Technology are incorporated, for the year ended December 31, 2025.

Profit for the Year

Our profit for the year increased from RMB1,271.7 million in 2024 to RMB1,289.4 million in 2025.

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

Revenue

Our revenue increased by 13.8% from RMB5,262.2 million in 2023 to RMB5,989.3 million in 2024.

Revenue by Product Category

Our revenue from vehicle camera products increased by 14.0% from RMB4,984.0 million in 2023 to RMB5,679.5 million in 2024, primarily due to (i) an increase in the sales volume of sensing products from 48,357 thousand units to 51,168 thousand units resulting from a continuous growth in sales of NEVs globally and an increase in popularity for vehicles installed with ADAS and ADS

features, which in both cases require more vehicle cameras to be installed and (ii) an increase in the sales volume of cabin products from 44,130 thousand units to 51,969 thousand units resulting from a continuous growth in sales of NEVs globally and increased consumers' preference for safer and more comfortable cabin experience.

Our revenue from other vehicle optical products increased by 11.4% from RMB278.2 million in 2023 to RMB309.8 million in 2024, primarily due to an increase in the revenue from automotive lighting products and in-cabin projection display products driven by increased customer demand and our product iteration.

Revenue by Geographic Location

Our revenue from Chinese Mainland increased by 31.5% from RMB2,360.2 million in 2023 to RMB3,102.6 million in 2024, primarily due to an increase in our sales to domestic customers in line with their sales growth driven by highly recognized innovative and cost competitive products launched in recent years.

Our revenue from Europe decreased by 8.3% from RMB1,448.2 million in 2023 to RMB1,328.3 million in 2024, primarily due to a decrease in our sales to European customers resulting from a change in the market landscape.

Our revenue from North America remained relatively stable at RMB732.5 million in 2023 and RMB719.5 million in 2024.

Our revenue from Asia (except Chinese Mainland) increased by 8.0% from RMB645.3 million in 2023 to RMB697.1 million in 2024, primarily due to an increase in our sales to Japanese and Korean customers resulting from the continuous growth of demand from our existing customers.

Our revenue from others increased significantly from RMB75.9 million in 2023 to RMB141.8 million in 2024, primarily due to our sales growth in Africa resulting from the continuous growth of demand from a certain customer.

Cost of Sales

Our cost of sales increased by 14.1% from RMB3,385.6 million in 2023 to RMB3,863.9 million in 2024, primarily due to an increase in purchase of raw materials in line with our sales growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 13.3% from RMB1,876.6 million in 2023 to RMB2,125.3 million in 2024. Our gross profit margin remained stable at 35.7% in 2023 and 35.5% in 2024.

The gross profit margin of our vehicle camera products remained relatively stable at 35.7% in 2023 and 35.4% in 2024, primarily due to a decrease in the gross profit margin of sensing products from 37.7% in 2023 to 36.4% in 2024 resulting from an increase in revenue contribution from more integrated products with relatively lower gross profit margin, partially offset by an increase in the gross profit margin of cabin products from 31.1% in 2023 to 33.5% in 2024 driven by improved production yield.

The gross profit margin of our other vehicle optical products remained relatively stable at 35.4% in 2023 and 36.2% in 2024.

Other Income

Our other income remained relatively stable at RMB57.0 million in 2023 and RMB59.4 million in 2024.

Other Gains and Losses

Our other gains and losses remained relatively stable at a gain of RMB48.9 million in 2023 and a gain of RMB46.4 million in 2024.

Net reversal of Impairment Losses under Expected Credit Loss ("ECL") Model

Our impairment losses under ECL model, net of reversal, decreased from RMB3.9 million in 2023 to RMB1.2 million in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB64.7 million in 2023 and RMB66.3 million in 2024 as we achieved higher marketing efficiency.

Research and Development Expenditure

Our research and development expenditure increased by 12.5% from RMB485.1 million in 2023 to RMB545.9 million in 2024, primarily due (i) an increase in employee benefits driven by our ongoing recruitment of R&D personnels in an effort to maintain our technological advantages and an increase in average remuneration to incentivize our R&D team and (ii) an increase in technical service fees resulting from our additional procurement as a part of our increased R&D efforts.

Administrative Expenses

Our administrative expenses increased by 14.5% from RMB159.0 million in 2023 to RMB182.0 million in 2024, primarily due to (i) an increase in employee benefits resulting from the expansion of our administrative team and an increase in average remuneration to incentivize our administrative team and (ii) an increase in short-term lease expenses for employee dormitories in line with the expansion of our administrative team.

Finance Costs

Our finance costs increased by 51.4% from RMB7.2 million in 2023 to RMB10.9 million in 2024, primarily due to an increase in (i) interests on bank borrowings resulting from our increased bank borrowings to finance our working capital needs and (ii) interests on amounts due to a related party to fund our plant construction in Vietnam, partially offset by an increase in amount capitalized in construction in progress following the commencement of our plant construction in Vietnam.

Income Tax Expenses

Our income tax expenses increased by 19.5% from RMB130.1 million in 2023 to RMB155.5 million in 2024, primarily due to an increase in our profit before tax.

Profit for the Year

Our profit for the year increased by 11.5% from RMB1,140.4 million in 2023 to RMB1,271.7 million in 2024.

DISCUSSION OF SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories primarily comprised (i) raw materials, mainly including 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), (ii) work in progress and (iii) finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Raw materials	200,130	178,608	190,159	245,149
Work in progress	65,834	135,751	161,547	202,172
Finished goods	354,989	473,210	653,300	492,613
Total	**620,953**	**787,569**	**1,005,006**	**939,934**

Our inventories increased from RMB621.0 million as of December 31, 2023 to RMB787.6 million as of December 31, 2024 and further increased to RMB1,005.0 million as of December 31, 2025, primarily due to an increase in finished goods to meet increased customers' order demands. Our inventories decreased from RMB1,005.0 million as of December 31, 2025 to RMB939.9 million as of June 30, 2026, primarily due to a decrease in finished goods following the delivery.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within 180 days	594,176	780,423	992,158	900,298
181 to 365 days	26,777	7,146	12,848	39,636
Total	**620,953**	**787,569**	**1,005,006**	**939,934**

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)			
Inventory turnover days[(1)]	68.8	66.5	67.3	67.9

Note:

(1) Inventory turnover days equal the average of opening balance and closing balance of the inventories for relevant period divided by cost of sales for the same period and multiplied by 365 days (for a year) or 180 days (for six months).

Our inventory turnover days remained relatively stable at 68.8 days, 66.5 days, 67.3 days and 67.9 days in 2023, 2024, 2025 and the six months ended June 30, 2026.

As of July 31, 2026, RMB326.3 million, or approximately 32.9% of our inventories as of June 30, 2026 had been subsequently sold or utilized.

Trade and Other Receivables and Prepayments

Our trade and other receivables and prepayments primarily consisted of trade receivables. The following table sets forth our trade and other receivables and prepayments as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade receivables	**1,324,420**	**1,593,347**	**1,957,736**	**1,955,635**
Less: allowance for expected credit losses	(2,922)	(1,685)	(2,645)	(3,931)
Subtotal	**1,321,498**	**1,591,662**	**1,955,091**	**1,951,704**
Other receivables and prepayments:				
VAT and other tax receivables	45,015	83,468	48,591	57,975
Prepaid expenses	27,086	28,731	4,292	7,705
Advance to suppliers	8,518	4,586	13,624	7,454
Others	28,033	29,448	29,259	32,497
Subtotal	**108,652**	**146,233**	**95,766**	**105,631**
Total	**1,430,150**	**1,737,895**	**2,050,857**	**2,057,335**

Our trade and other receivables and prepayments increased from RMB1,430.2 million as of December 31, 2023 to RMB1,737.9 million as of December 31, 2024 and further increased to RMB2,050.9 million as of December 31, 2025, primarily due to an increase in trade receivables in line with our sales growth. Our trade and other receivables and prepayments remained relatively stable at RMB2,050.9 million as of December 31, 2025 and which subsequently increased to RMB2,057.3 million as of June 30, 2026.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within 90 days	1,224,434	1,422,371	1,686,053	1,656,219
91 to 180 days	97,000[(1)]	168,330[(1)]	218,907[(1)]	241,211
Over 180 days	64	961	50,131[(1)]	54,274
Total	**1,321,498**	**1,591,662**	**1,955,091**	**1,951,704**

Note:

(1) Our trade receivables aged over 90 days increased significantly as of December 31, 2025 as compared to December 31, 2023 and 2024, primarily due to our increased trade receivables from OEMs, who are generally granted longer credit terms compared to other types of customers.

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)			
Trade receivables turnover days[1]	83.8	88.9	90.1	95.0

Note:

(1) Trade receivables turnover days equal the average of opening balance and closing balance of trade receivables for relevant period divided by total revenue for the same period and multiplied by 365 days (for a year) or 180 days (for six months).

Our trade receivables turnover days increased from 83.8 days in 2023 to 88.9 days in 2024 and further increased to 90.1 days in 2025 which subsequently increased to 95.0 days in the six months ended June 30, 2026, primarily due to our increased trade receivables from OEMs that are granted longer credit terms.

As of July 31, 2026, RMB778.5 million, or approximately 39.9%, of our trade receivables as of June 30, 2026 had been subsequently settled.

Receivables at FVTOCI

Our receivables at FVTOCI represented our bills receivables. Our receivables at FVTOCI increased from RMB162.3 million as of December 31, 2023 to RMB210.3 million as of December 31, 2024 and further increased to RMB401.8 million as of December 31, 2025, primarily due to our increased bills receivables from OEMs, who generally prefer to issue bills for settlement compared to other types of customers. Our receivables at FVTOCI decreased from RMB401.8 million as of December 31, 2025 to RMB157.3 million as of June 30, 2026, primarily due to our discounting of bills receivables.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily consisted of low-risk wealth management products. Our financial assets at FVTPL increased from nil as of December 31, 2023 to RMB255.4 million as of December 31, 2024 and further increased to RMB687.2 million as of December 31, 2025, which subsequently increased to RMB1,535.0 million as of June 30, 2026, primarily due to an increase in investment in low-risk wealth management products in PRC to increase our returns from surplus cash flow generated from operating activities.

We have established management systems that specify the approval authority, information disclosure, authorization management, operation processes, financial accounting, supervision and risk control procedures of our wealth management activities, so as to standardize our financial product investments. Each of our investments in financial assets is reported to and approved by our Board. The types of wealth management products and structured deposits we choose are low-risk products with high safety and good liquidity. Adhering to prudent investment principles, we conduct investment activities with an aim to improve capital utilization efficiency and investment returns on cash assets.

Under the supervision of our senior management, our finance department manages our wealth management portfolio, primarily including the preparation of investment feasibility analysis, handling wealth management products, and conducting accounting procedures. Our management team responsible for such investments has extensive experience in managing the financial aspects

of an enterprise's operations. We maintain sustained oversight of wealth management products, including monitoring and evaluating the performance of wealth management products. In addition, we adhere to all applicable laws, regulations, and management policies regarding the proper disclosure of investment information.

Following the [**REDACTED**], our investments in financial products will be conducted in accordance with the provisions of Chapter 14 of the Listing Rules.

Trade and Other Payables

Our trade and other payables primarily consisted of (i) trade payables, (ii) note payables, (iii) staff salaries and welfare payables, (iv) service fees payables, (v) VAT payables and other tax payables, (vi) payables for purchase of property, plant and equipment and (vii) warranty provision. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade payables	996,798	1,205,255	1,468,399	1,242,122
Note payables	335,755	338,809	569,089	848,563
Staff salaries and welfare payables	188,743	253,839	297,219	180,905
Service fees payables	43,928	39,026	44,051	37,719
VAT payables and other tax payables	14,195	24,254	29,843	42,421
Payables for purchase of property, plant and equipment	20,063	7,910	24,895	37,729
Warranty provision	–	1,566	4,359	7,228
Others	13,112	18,722	45,057	76,306
Total	**1,612,594**	**1,889,381**	**2,482,912**	**2,472,993**

Our trade and other payables increased from RMB1,612.6 million as of December 31, 2023 to RMB1,889.4 million as of December 31, 2024 and further to RMB2,482.9 million as of December 31, 2025, primarily due to an increase in trade payables resulting from our increased purchase of raw materials in line with our sales growth. Our trade and other payables remained relatively stable at RMB2,482.9 million as of December 31, 2025 and RMB2,473.0 million as of June 30, 2026.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within 90 days	821,879	892,587	1,178,618	1,015,435
91 to 180 days	168,507	305,907	287,591	215,857
Over 180 days	6,412	6,761	2,190	10,830
Total	**996,798**	**1,205,255**	**1,468,399**	**1,242,122**

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)			
Trade payables turnover days[(1)]	99.5	104.0	100.3	94.6

Note:

(1) Trade payables turnover days equal the average of the opening and closing balances of trade payables for relevant period divided by total cost of sales for the same period and multiplied by 365 days (for a year) or 180 days (for six months).

Our trade payables turnover days remained relatively stable at 99.5 days in 2023, 104.0 days in 2024, 100.3 days in 2025 and 94.6 days in the six months ended June 30, 2026.

As of July 31, 2026, RMB494.6 million, or approximately 40.0%, of our trade payables as of June 30, 2026 had been subsequently settled.

NET CURRENT ASSETS

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Current assets				
Inventories	620,953	787,569	1,005,006	939,934
Trade and other receivables and prepayments	1,430,150	1,737,895	2,050,857	2,057,335
Amounts due from related parties	2,077,504	2,662,271	108,065	92,022
Receivables at FVTOCI	162,278	210,265	401,820	157,335
Financial assets at FVTPL	–	255,416	687,247	1,534,998
Pledged bank deposits	–	–	70,085	14,021
Short term fixed deposits	10,570	21,054	–	–
Cash and cash equivalents	315,227	271,010	971,482	807,962
Total current assets	**4,616,682**	**5,945,480**	**5,294,562**	**5,603,607**
Current liabilities				
Trade and other payables	1,612,594	1,889,381	2,482,912	2,472,993
Amounts due to related parties	112,039	530,633	517,527	360,366
Contract liabilities	23,878	38,283	26,387	11,069
Income tax payable	40,936	75,499	134,195	95,285
Bank borrowings	18,393	–	534,190	528,304
Lease liabilities	12,633	13,176	13,744	11,289
Deferred income	12,865	8,942	1,067	2,867
Total current liabilities	**1,833,338**	**2,555,914**	**3,710,022**	**3,482,173**
Net current assets	**2,783,344**	**3,389,566**	**1,584,540**	**2,121,434**

Our net current assets increased by 33.9% from RMB1,584.5 million as of December 31, 2025 to RMB2,121.4 million as of June 30, 2026, primarily due to an increase in financial assets at FVTPL.

Our net current assets decreased significantly from RMB3,389.6 million as of December 31, 2024 to RMB1,584.5 million as of December 31, 2025, primarily due to the settlement of amounts due from related parties, which were subsequently used for dividend payments.

Our net current assets increased by 21.8% from RMB2,783.3 million as of December 31, 2023 to RMB3,389.6 million as of December 31, 2024, primarily due to (i) an increase in amounts due from related parties and (ii) an increase in trade and other receivables and prepayments in line with our business expansion, partially offset by (i) an increase in amounts due to related parties in relation to our plant construction in Vietnam and (ii) an increase in trade and other payables in line with our business expansion.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Sufficiency

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

During the Track Record Period and up to the Latest Practicable Date, we primarily funded our cash requirements from cash from operations. As of June 30, 2026, we had cash and cash equivalents of RMB808.0 million. Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from operations, the net [**REDACTED**] from the [**REDACTED**] and other possible equity and debt financing as and when appropriate. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(Unaudited)	
Net cash flows generated from operating activities	1,272,288	1,323,828	1,418,765	371,570	868,958
Net cash flows (used in)/generated from investing activities	(917,523)	(1,357,210)	1,759,603	41,592	(935,265)
Net cash flows used in financing activities	(217,529)	(10,928)	(2,471,793)	(84,624)	(81,344)
Net increase/(decrease) in cash and cash equivalents	137,236	(44,310)	706,575	328,538	(147,651)

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(Unaudited)	
Cash and cash equivalents at beginning of the period	175,298	315,227	271,010	271,010	971,482
Effect of foreign exchange rate changes	2,693	93	(6,103)	(2,631)	(15,869)
Cash and cash equivalents at end of the period	315,227	271,010	971,482	596,917	807,962

Net Cash from Operating Activities

For the six months ended June 30, 2026, we had net cash generated from operating activities of RMB869.0 million, which represents our profit before tax of RMB741.8 million, adjustments of non-cash and non-operating items, movements in working capital and income tax paid of RMB117.5 million. Our adjustment of non-cash and non-operating items primarily comprised depreciation of property, plant and equipment of RMB93.0 million. Our movements in working capital primarily comprised a decrease in receivables at FVTOCI of RMB157.7 million, partially offset by a decrease in trade and other payables of RMB152.4 million.

For the year ended December 31, 2025, we had net cash generated from operating activities of RMB1,418.8 million, which represents our profit before tax of RMB1,492.5 million, adjustments of non-cash and non-operating items, movements in working capital and income tax paid of RMB152.7 million. Our adjustment of non-cash and non-operating items primarily comprised depreciation of property, plant and equipment of RMB188.8 million. Our movements in working capital primarily comprised (i) increase in trade and other receivables and prepayments of RMB311.6 million, (ii) increase in inventories of RMB216.2 million, and (iii) increase in receivables at FVTOCI of RMB191.6 million, partially offset by increase in trade and other payables of RMB540.9 million.

For the year ended December 31, 2024, we had net cash generated from operating activities of RMB1,323.8 million, which represents our profit before tax of RMB1,427.2 million, adjustments of non-cash and non-operating items, movements in working capital and income tax paid of RMB124.0 million. Our adjustment of non-cash and non-operating items primarily comprised depreciation of property plant and equipment of RMB167.4 million. Our movements in working capital primarily comprised increase in trade and other payables of RMB323.7 million, partially offset by (i) increase in trade and other receivables and prepayments of RMB306.5 million, (ii) increase in inventories of RMB173.6 million.

For the year ended December 31, 2023, we had net cash generated from operating activities of RMB1,272.3 million, which represents our profit before tax of RMB1,270.5 million, adjustments of non-cash and non-operating items, movements in working capital and income tax paid of RMB105.5 million. Our adjustment of non-cash and non-operating items primarily comprised depreciation of property plant and equipment of RMB150.4 million. Our movements in working capital primarily comprised increase in trade and other payables of RMB192.6 million, partially offset by (i) increase in trade and other receivables and prepayments of RMB216.3 million and (ii) increase in receivables at FVTOCI of RMB112.9 million.

Net Cash (Used in)/generated from Investing Activities

For the six months ended June 30, 2026, we had net cash used in investing activities of RMB935.3 million, primarily due to purchases of unlisted financial products of RMB3,814.0 million, partially offset by release of unlisted financial products of RMB2,970.0 million.

For the year ended December 31, 2025, we had net cash generated from investing activities of RMB1,759.6 million, primarily due to (i) release of unlisted financial products of RMB7,277.0 million and (ii) repayment from related parties of RMB2,536.9 million, partially offset by purchases of unlisted financial products of RMB7,708.0 million.

For the year ended December 31, 2024, we had net cash used in investing activities of RMB1,357.2 million, primarily due to (i) purchases of unlisted financial products of RMB1,593.0 million, (ii) advance to related parties of RMB557.1 million and (iii) purchases of property, plant and equipment of RMB475.8 million, partially offset by release of unlisted financial products of RMB1,338.0 million.

For the year ended December 31, 2023, we had net cash used in investing activities of RMB917.5 million, primarily due to (i) advance to related parties of RMB533.3 million and (ii) purchases of property, plant and equipment of RMB319.9 million.

Net Cash Used in Financing Activities

For the six months ended June 30, 2026, we had net cash used in financing activities of RMB81.3 million, primarily due to (i) dividends paid of RMB204.4 million and (ii) payments for notes financing of RMB112.7 million, partially offset by proceeds from notes financing of RMB253.8 million.

For the year ended December 31, 2025, we had net cash used in financing activities of RMB2,471.8 million, primarily due to (i) dividends paid of RMB2,703.7 million and (ii) repayment of amounts due to related parties of RMB1,115.8 million and (iii) payments for notes financing of RMB164.5 million, partially offset by new bank borrowings raised of RMB674.2 million.

For the year ended December 31, 2024, we had net cash used in financing activities of RMB10.9 million, primarily due to (i) dividends paid of RMB285.5 million and (ii) payments for notes financing of RMB209.8 million, partially offset by (i) receipt of amounts due to related parties of RMB420.5 million and (ii) proceeds from notes financing of RMB176.0 million.

For the year ended December 31, 2023, we had net cash used in financing activities of RMB217.5 million, primarily due to (i) dividends paid of RMB555.9 million, (ii) repayment of amounts due to related parties of RMB234.0 million and (iii) payments for notes financing of RMB166.4 million, partially offset by (i) capital contribution from shareholders of RMB533.4 million and (ii) proceeds from notes financing of RMB227.9 million.

INDEBTEDNESS

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Current				
Bank borrowings	18,393	–	534,190	528,304
Lease liabilities	12,633	13,176	13,744	11,289
Amounts due to a related party – Borrowings	28,383	428,285	–	–
Non-current				
Lease liabilities	41,238	28,062	14,318	6,083
Total	**100,647**	**469,523**	**562,252**	**545,676**

Bank Borrowings

As of December 31, 2023, 2024, 2025 and June 30, 2026, we had bank borrowings of RMB18.4 million, nil, RMB534.2 million and RMB528.3 million, respectively. All of our bank borrowings as of December 31, 2023 were guaranteed by Sunny Optical Technology, a related party. All of these guarantees have been released by December 31, 2025. During the Track Record Period, our bank borrowings were from reputable banks and will mature within one year. Our bank borrowings were denominated in Renminbi and US dollar. Our bank borrowings decreased from RMB18.4 million as of December 31, 2023 to nil as of December 31, 2024, primarily due to our repayment. Our bank borrowings increased from nil as of December 31, 2024 to RMB534.2 million as of December 31, 2025, primarily due to the additional capital required to fund our daily operations. Our bank borrowings remained relatively stable at RMB528.3 million as of June 30, 2026 as compared to RMB534.2 million as of December 31, 2025. The interest rate on our bank borrowings ranges from 0.75% to 4.83%. As of June 30, 2026, our committed total banking facilities amounted to USD110.0 million and RMB2.5 billion and our committed unutilized banking facilities amounted to USD7.6 million and RMB813.8 million. These bank facilities were provided by independent third parties and not guaranteed by the Group's Controlling Shareholders and/or their respective close associates.

Our borrowings contain standard terms, conditions and covenants that are customary for commercial bank borrowings. Our Directors confirm that there was no default in payments of our liabilities or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease for our plants and offices. Our lease liabilities decreased from RMB53.9 million as of December 31, 2023 to RMB41.2 million as of December 31, 2024 and further decreased to RMB28.1 million as of December 31, 2025, which subsequently decreased to RMB17.4 million as of June 30, 2026, primarily due to our repayment of rental fees and a decrease in the remaining lease terms.

Amounts due to a Related Party

Our amounts due to a related party were non-trade in nature and derived from the borrowings provided to us by a related party to fund our plant construction in Vietnam. Our amounts due to a related party amounted to RMB28.4 million, RMB428.3 million, nil and nil as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively. As of the Latest Practicable Date, we have fully settled our borrowings due to a related party.

Indebtedness Statement

Save as disclosed above in the "— Indebtedness" section, as of June 30, 2026, being the most recent practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since June 30, 2026 and up to the date of this Document. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

Our capital expenditures represented our purchases of property, plant and equipment, which amounted to RMB319.9 million, RMB475.8 million, RMB280.7 million and RMB170.7 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively.

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities. We intend to fund our future capital expenditures with a combination of operating cashflow, equity and debt financing and net [**REDACTED**] received from the [**REDACTED**]. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

Our capital commitments primarily represented capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the combined financial statement, which amounted to RMB5.1 million, RMB30.1 million, RMB108.8 million and RMB120.5 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively. The significant increase is primarily attributable to the renovation of our manufacturing bases in China and Vietnam.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024, 2025 and June 30, 2026, we did not have any significant contingent liabilities. Our Directors confirmed that there had not been any material change in the contingent liabilities of our Company since December 31, 2025 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	Year ended/as of December 31,			Six months ended/as of June 30,
	2023	2024	2025	2026
Gross profit margin (%)[1]	35.7	35.5	32.4	30.4
Current ratio[2]	2.5	2.3	1.4	1.6
Quick ratio[3]	2.2	2.0	1.2	1.3
Gearing ratio (%)[4]	34.2	36.0	55.6	49.1
Return on assets (%)[5]	22.6	19.6	18.3	N/A
Return on equity (%)[6]	36.0	30.3	33.5	N/A

Notes:

(1) Gross profit margin is calculated as revenue less cost of sales divided by revenue, then multiplied by 100%.

(2) Current ratio is calculated as total current assets divided by total current liabilities as of the date indicated.

(3) Quick ratio is calculated by subtracting inventories from current assets and then dividing the result by current liabilities as of the dates indicated.

(4) Gearing ratio is calculated as total liabilities divided by total assets, then multiplied by 100%.

(5) Return on assets is calculated as profit for the year divided by average total asset, then multiplied by 100%.

(6) Return on equity is calculated as profit for the year divided by average total equity, then multiplied by 100%.

FINANCIAL RISK MANAGEMENT

Our financial instruments include trade and other receivables, amounts due from/to related parties, financial assets at FVTPL, receivables at FVTOCI, short term fixed deposits, pledged bank deposits, cash and cash equivalents, trade and other payables and bank borrowings. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Our Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See note 33 to the Accountants' Report included in Appendix I to this Document.

Market Risk

Our activities expose us primarily to the market risks of currency risk, interest rate risk and other price risk. Market risk exposures are further measured by sensitivity analysis.

Currency Risk

We undertake certain foreign currency sales and purchases, which expose us to foreign currency risk. Certain of our cash and cash equivalents, short term fixed deposits, trade and other receivables and trade and other payables are denominated in currencies other than the functional currency of our relevant entities and expose to such foreign currency risk. We manage our foreign currency risks primarily through natural hedging and operational measures, including matching of foreign currency inflows and outflows. Where practicable, we seek to match foreign currency revenues with expenses denominated in the same currency, thereby reducing net exposure to currency fluctuations. We also endeavor to align the currency of our funding, capital expenditures and operating costs with the functional currency or principal cash flow currency of the relevant operations. We closely monitor the movement of the foreign currency rates. We have not adopted any hedging strategies but may do so should the need arise in the future.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, lease liabilities and short term fixed deposits. We currently do not have interest rate hedging policy. However, we monitor interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

Other Price Risk

We are exposed to other price risk through our investments in unlisted financial products. Our Directors consider alternative tools to mitigate other price risk and manage this exposure by maintaining a portfolio of investments with different risks.

Credit Risk

Our maximum exposure to credit risk which will cause a financial loss to us arising from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our Directors to finance our operations and mitigate the effects of fluctuations in cash flows.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Related party transactions are set out in note 37 to Appendix I to this Document. Our Directors believe that these transactions were conducted on normal commercial terms and on an arm's length basis in the ordinary and usual course of business, and did not distort our results of operations or make our historical results not reflective of our future performance. Our non-trade in nature related party transactions comprised amounts due to and due from related party. As of the Latest Practicable Date, we have settled our non-trade in nature amounts due to and due from related parties, except for amounts due from Sunny Optical Technology under its share award scheme. See note 39 to the Accountants' Report in Appendix I to this Document. We are of the view that such balance (a) will not affect our Group's financial independence, on the basis that (i) the balance arose from a specific and defined purpose directly related to our Group's own employee incentive arrangements, rather than from any operational funding, working capital support or other financial reliance on the Retained Sunny Optical Technology Group; and (ii) we do not rely on such balance for our day-to-day operations or working capital needs and have sufficient financial resources to operate independently of our Controlling Shareholders; (b) does not constitute financial assistance to our Group, on the basis that (i) the balance does not represent a loan, credit facility, guarantee or any other form of financing extended by the Retained Sunny Optical Technology Group to our Group; and (ii) the balance arose in the ordinary course of the administration of the share award scheme for the benefit of our Group's employees and was not established for the purpose of providing financial support or funding to our Group; and (c) does not constitute capital occupation, on the basis that such balance does not need to be settled in the form of monetary funds and will not result in the occupation of our Group's funds by the Retained Sunny Optical Technology Group.

DIVIDEND

During the Track Record Period, our Company did not declare or pay any dividend. Currently, we do not have any formal dividend policy. Any dividend distribution plans will be formulated by the Board and approved by the shareholders' meetings, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Pursuant to our Articles of Association, in principle, after we have made good any losses and appropriated funds to statutory reserves, the remaining after-tax profits shall be distributed among shareholders in proportion to their respective shareholdings, except where our Articles of Association provides otherwise for non-proportional distribution. Once the shareholders' meeting has adopted a resolution on the profit distribution plan, or the Board has formulated a specific plan based on the conditions and upper limit for interim dividends approved by the annual shareholders' meeting, we shall complete the distribution of dividends within two months. We currently do not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

DISTRIBUTABLE RESERVE

As of June 30, 2026, our Company did not have any distributable reserve.

UNAUDITED [REDACTED] ADJUSTED COMBINED OF NET TANGIBLE ASSETS

See Unaudited [**REDACTED**] Financial Information in Appendix II to this Document for details.

[REDACTED]

[**REDACTED**] represent professional fees, [**REDACTED**] commission and other fees incurred in connection with the [**REDACTED**]. [**REDACTED**] to be borne by us are estimated to be approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million), comprising: (i) [**REDACTED**] fees of RMB[**REDACTED**] million (HK$[**REDACTED**] million); and (ii) [**REDACTED**]-related expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[**REDACTED**] million (HK$[**REDACTED**] million); and (b) other fees and expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range), approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) of which was charged or is expected to be charged to our combined statements of profit or loss, and approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) of which is expected to be deducted from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] are expected to represent approximately [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and that the [**REDACTED**] is not exercised. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this Document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2026 and there has been no event since June 30, 2026 that would materially affect the information as set out in the Accountants' Report in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.