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Application Proof of

Ningbo Sunny Smart Autotech Company Limited
寧波舜宇智行科技股份有限公司

(the "**Company**")

(a joint stock company established in the People's Republic of China with limited liability)

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Ningbo Sunny Smart Autotech Company Limited
寧波舜宇智行科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**[REDACTED] H Shares (including [REDACTED] under the [REDACTED]) (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**RMB1.00 per H Share**
[REDACTED]	**[REDACTED]**

***Joint Sponsors,* [REDACTED]**

CICC 中金公司 CITIC SECURITIES

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[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to [**REDACTED**] *in the* [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in "Risk Factors" of this document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**]. *Your* [**REDACTED**] *decision should be made in light of these considerations.*

OVERVIEW

Who We Are

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

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

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

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

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

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

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

Our Products

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

Vehicle Camera Products

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

- *Cabin products:* our cabin products focus on the driver and occupant experience, deliver an enhanced human-machine interaction, by improving user's experience and enabling real-time detecting of vehicle operating conditions. Our cabin products cover both view and in-cabin products. View products include rear and surround view products, vehicle DVR products and streaming rear view mirror products. In-cabin products include driver monitoring products, occupancy monitoring products and others, such as TOF products. By incorporating modular technologies and application functions, these products provide drivers and occupants with enhanced internal and external views and interaction capabilities, creating a safer and more comfortable cabin experience.

Other Vehicle Optical Products

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

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

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

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

Our Technology Platforms

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

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

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

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

STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors.

- Proven Innovative Capabilities

- Integrated Automotive Optical Technology Platform

- Diverse Product Portfolio with Cross-Business Synergies

- Established Collaborative Relationships with Global Customers

- Strategic Global Manufacturing and Service Capabilities

- Experienced and Committed Team with Common Core Values

STRATEGY

We intend to pursue the following strategies.

- All in Intelligent Technologies and Innovation

- Strengthening Our Partnership Ecosystem

- Expanding Our Product Portfolio
- Enhancing Our Global Presence
- Committing to Sustainable Development

RESEARCH AND DEVELOPMENT

We believe technological R&D capabilities as the primary driving force for sustained growth. We believe our R&D capabilities are crucial for developing new products. Our consistent investment in R&D enables us to respond swiftly to the evolving demands of the automotive sector and to maintain our competitive edge. Through continuous research and development and vertical integration, we have established three core technology platforms, the optical core technology innovation platform, the opto-mechanical-electro-algorithmic integration platform and the digitalized manufacturing technology platform, which together constitute our integrated technology platform capabilities. As of the Latest Practicable Date, we possessed a large patent portfolio, with 899 registered patents in total, including 601 invention patents. See "Business — Research and Development."

CUSTOMERS AND SUPPLIERS

The Group prices and sells each standalone vehicle optical product individually, with no bundling of products or services. Pricing is determined by reference to factors including market demand, product competitiveness, market dynamics and product costs, with differentiated pricing strategies applied where appropriate to account for industry characteristics, regional competition and customer budget considerations.

We have a global customer base. Our customers primarily consist of Tier-1 suppliers and OEMs. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, sales to our largest customer in each period of the Track Record Period accounted for 14.7%, 13.5%, 8.8% and 8.2% of our revenue, respectively, while our five largest customers in each of the same periods accounted for 56.5%, 47.7%, 36.4% and 35.1% of our revenue, respectively. We put emphasis on maintaining close relationships with our customers and keeping abreast of market developments. See "Business — Sales, Marketing and Customers."

Our suppliers provide us with raw materials and components that our procurement department organizes into three categories: optical materials and components (such as resin and lenses), electronic components (such as image sensors and PCBAs) and structural components (such as housing and mounting brackets). Our strategy prioritizes securing the supply of strategic materials and exploring cross-functional opportunities for cost reduction, supported by teams of in-house specialists. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, purchases from our largest supplier in each period of the Track Record Period accounted for 17.3%, 14.2%, 13.0% and 15.9% of our total purchase, respectively, while our five largest suppliers in each of the same periods accounted for 56.4%, 49.0%, 50.0% and 49.8% of our total purchase, respectively. We believe that we have a good cooperative relationship with our key suppliers. See "Business — Procurement and Suppliers."

TRADE POLICIES AND TARIFF

We manufacture our products in China and Vietnam, both of which export products to the U.S. market. Although we derived a substantial proportion of revenue from North America during the Track Record Period, the additional U.S. tariffs imposed on us did not have a material adverse effect on our business operations or financial condition during the Track Record Period and up to the Latest Practicable Date. This was due in part to the negotiations with customers that allowed us to distribute additional costs to them. Additionally, the applicable tariffs imposed by other countries/regions have not had, and are not expected to have, any material adverse impact (whether directly or indirectly) on our business operations, financial performance and expansion plans.

MANUFACTURING BASE

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. In addition, we have expanded our global presence by strategically establishing 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. See "Business — Manufacturing — Manufacturing Bases."

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the [**REDACTED**] of, and permission to [**REDACTED**], our H Shares to be converted from Unlisted Shares and H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB7.2 billion (equivalent to approximately HK$8.0 billion) for the year ended December 31, 2025 exceeds HK$500 million, and (ii) our expected market capitalization at the time of [**REDACTED**], which, based on the low-end of the indicative [**REDACTED**] range, exceeds HK$[**REDACTED**] billion.

[REDACTED]

The [**REDACTED**] constitutes a [**REDACTED**] of our Company by Sunny Optical Technology under Practice Note 15. The proposal in relation to the [**REDACTED**] was submitted by Sunny Optical Technology to the Stock Exchange for approval pursuant to Practice Note 15, and the Stock Exchange has confirmed that Sunny Optical Technology may proceed with the [**REDACTED**]. The [**REDACTED**] will not be subject to shareholder's approval of Sunny Optical Technology, and Sunny Optical Technology and our Company will comply with the requirements under the Listing Rules and the respective articles of associations regarding the [**REDACTED**] and [**REDACTED**]. Upon completion of the [**REDACTED**] and the [**REDACTED**], (i) the Retained Sunny Optical Technology Group will be principally engaged in the design, R&D, manufacturing and sale of non-vehicle related optical business, with the application fields of its key offering focusing on immersive electronic devices which adopt extended reality technologies and merge real and virtual environments ("**XR products**") including smart augmented reality glasses, smartphone camera products and other non-vehicle related optical products (including pan internet of things ("**pan-IoT**") solutions including intelligent imaging terminals and automated warehousing systems, robotics, optical components and optical instruments); and (ii) our Group will principally engage in vehicle-related optical businesses, offering a wide spectrum of advanced optical products with a focus on vehicles as the field of application.

IMPACT OF PILLAR TWO RULES

Our Group is subject to the global minimum top-up tax Pillar Two Rules during the Track Record Period. The 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. We recognized RMB16.8 million, RMB48.1 million, RMB6.9 million and RMB6.2 million in respect of the Pillar Two Rules for the years ended December 31, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, 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 and the six months ended June 30, 2026. See "Financial Information — Description of Key Components of Our Results of Operations — Income Tax Expense" and note 11 to the Accountants' Report in Appendix I to this Document.

CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Company was directly held by Sunny Zhejiang Optics and Sunny Group as to 84.8% and 11.7%, respectively. Sunny Group is a direct wholly-owned subsidiary of Sunny Zhejiang Optics. Sunny Zhejiang Optics was directly held by Sunny Optical Overseas and Summit Technology (HK) as to 72.13% and 27.87%, respectively. Sunny Optical Overseas was wholly owned by Sun Xiang Optical, which was in turn wholly controlled by Sunny Optical Technology through its wholly owned subsidiary Sun Yun Optical. Summit Technology (HK) was 100% owned by Summit Technology (BVI), which was also in turn wholly controlled by Sunny Optical Technology through its wholly owned subsidiary Sun Yun Optical. Accordingly, the Controlling Shareholders, comprising Sunny Optical Technology, Sunny Group, Sunny Zhejiang Optics, Sunny Optical Overseas, Sun Xiang Optical, Sun Yu Optical, Summit Technology (HK) and Summit Technology (BVI), were collectively interested in approximately 96.5% of the Shares. Immediately following the completion the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the Controlling Shareholders will continue to control a total of approximately [**REDACTED**] of the Shares. Therefore, upon [**REDACTED**], they will remain as our Controlling Shareholders and our Company will remain as a subsidiary of Sunny Optical Technology. For further details about our Controlling Shareholders, see "Relationship with our Controlling Shareholders."

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions under Chapter 14A of the Listing Rules after the [**REDACTED**]. Further particulars about such transactions, together with the application for waivers from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules for non-exempt continuing connected transactions are set out in "Connected Transactions".

RISK FACTORS

Our operations and the [**REDACTED**] involve certain risks and uncertainties, including (i) risks relating to our business and industry, (ii) risks relating to doing business in the jurisdictions we operate, and (iii) risks relating to the [**REDACTED**] and the [**REDACTED**], which are set out in the section headed "Risk Factors" in this document. You should read that section in its entirety carefully before you decide to [**REDACTED**] in the [**REDACTED**]. Some of the major risks we face include, but are not limited to:

- Unfavorable economic conditions and consumer acceptance impacting the automotive industry could limit market adoption of automotive optical products, which may materially and adversely affect our business operations, results of operations and financial condition.

- We operate in a highly competitive industry with an evolving landscape.

- We may fail to further refine our technology and develop and introduce new products due to rapid technological changes and advancements.

- The expansion of our international operations may expose us to additional regulatory, economic and political risks, the failure to handle which may adversely affect our business, results of operations and financial condition.

- Our business, financial condition and results of operations could be materially and adversely affected if we lose any of our major customers or are prevented from selling to any of our top customers.

- The vehicle optical products are highly complex, which could expose us to product liability claims or recalls resulting from product quality issues, and materially and adversely affect our business, reputation, results of operations and financial condition.

- We may be subject to the risks associated with international trade policies and trade protection measures.

SUMMARY OF KEY FINANCIAL INFORMATION

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

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	12.1	400,153	10.8
Others[(1)]	75,879	1.4	141,788	2.4	148,092	2.1	80,959	2.4	67,532	1.8
Total	**5,262,204**	**100.0**	**5,989,257**	**100.0**	**7,188,840**	**100.0**	**3,352,018**	**100.0**	**3,701,605**	**100.0**

Note:

(1) Others mainly included Africa.

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**	**40,155**	**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.

Summary of Statement of Combined Financial Position

The following table sets forth a summary of our combined statement of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Total non-current assets	1,032,290	1,378,173	1,484,570	1,604,159
Total current assets	4,616,682	5,945,480	5,294,562	5,603,607
Total assets	5,648,972	7,323,653	6,779,132	7,207,766
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
Total assets less current liabilities	3,815,634	4,767,739	3,069,110	3,725,593
Total non-current liabilities	99,793	81,010	57,668	54,914
Net assets	3,715,841	4,686,729	3,011,442	3,670,679

Net Current Assets

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.

Net Assets

Our net assets increased by 21.9% from RMB3,011.4 million as of December 31, 2025 to RMB3,670.7 million as of June 30, 2026, primarily due to profit for the period of RMB665.5 million.

Our net assets decreased by 35.7% from RMB4,686.7 million as of December 31, 2024 to RMB3,011.4 million as of December 31, 2025, primarily due to (i) dividends paid of RMB2,703.7 million and (ii) effect of reorganization, partially offset by (i) issue of ordinary shares of RMB2,000.0 million and (ii) profit for the year of RMB1,289.4 million.

Our net assets increased by 26.1% from RMB3,715.8 million as of December 31, 2023 to RMB4,686.7 million as of December 31, 2024, primarily due to (i) profit for the year of RMB1,271.7 million, partially offset by dividends paid of RMB285.5 million.

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)
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

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 period divided by average total asset, then multiplied by 100%.

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

[**REDACTED**] STATISTICS

The statistics in the following table are based on the assumptions that: (i) the [**REDACTED**] is completed and [**REDACTED**] H Shares are [**REDACTED**] and sold in the [**REDACTED**]; (ii) the [**REDACTED**] is not exercised; and (iii) [**REDACTED**] Shares are [**REDACTED**] and outstanding upon completion of the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
Market capitalization of our Shares[(1)]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited [**REDACTED**] adjusted net tangible asset value per Share[(2)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation is based on [**REDACTED**] Shares expected to be in issue immediately upon the completion of the [**REDACTED**].

(2) The unaudited [**REDACTED**] adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Appendix II — Unaudited [**REDACTED**] Financial Information".

FUTURE PLANS AND USE OF [**REDACTED**]

We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**], after deducting the [**REDACTED**] and other estimated [**REDACTED**] payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share. We intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for R&D of vehicle camera products and other vehicle optical products, as well as building a comprehensive testing system to enhance our technological capabilities and product offerings.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for enhancing our manufacturing capacities and optimizing our supply chain management.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for optimizing our sales and services networks by strengthening partner-facing sales team deployment and enhancing technical support teams.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for supplementing working capital and general corporate purposes.

[**REDACTED**]

[**REDACTED**] represent professional fees, [**REDACTED**] 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.

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.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in "Glossary of Technical Terms" of this document.

DEFINITIONS

"Accountants' Report"	the accountants' report for the Track Record Period prepared by Deloitte Touche Tomahtsu, the text of which is set out in Appendix I to this document
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on January 15, 2026 with effect from the [**REDACTED**], as amended from time to time, a summary of which is set out in "Appendix V — Summary of Articles of Association" to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board

[**REDACTED**]

"Bad Weather Signal"	has the meaning ascribed to it under the Listing Rules

[**REDACTED**]

"Board" or "Board of Directors"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	The British Virgin Islands

[**REDACTED**]

"CASBE"	China Accounting Standards for Business Enterprises
"China" or "PRC"	The People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
"close associates(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Ningbo Sunny Smart Autotech Company Limited (寧波舜宇智行科技股份有限公司), a joint stock company with limited liability established in the PRC on November 12, 2025
"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Sunny Group, Sunny Zhejiang Optics, Sunny Optical Overseas, Sun Xiang Optical, Sun Yu Optical, Sunny Optical Technology, Summit Technology (HK) and Summit Technology (BVI) and a Controlling Shareholder shall mean each or any of them
"Conversion of Unlisted Shares to H Shares"	the conversion of [1,000,000,000] Unlisted Shares in aggregate held by [2] existing Shareholders into H Shares upon the completion of the [**REDACTED**]. Such conversion of Unlisted Shares into H Shares and an application for the H Shares to be [**REDACTED**] on the Stock Exchange has been filed with the CSRC on [●], 2026. The CSRC issued the filing notice on [●], 2026 in respect of the [**REDACTED**] and the application for listing of the H Shares on the Stock Exchange

[**REDACTED**]

"Director(s)"	the director(s) of our Company
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong

[**REDACTED**]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document

[**REDACTED**]

"Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guide" or "Guide for New Listing Applicants"	The Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time

"H Share(s)"	shares of our Company for which an application has been made for [**REDACTED**] and permission to trade on the Stock Exchange

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

[**REDACTED**]

[**REDACTED**]

"Independent Third Party(ies)"	individuals or company(ies), who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

[**REDACTED**]

"International Sanctions"	all applicable laws and regulations, as amended and supplemented from time to time, related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S., the European Union, the United Kingdom, Australia, the United Nations and other relevant sanctions authorities
"International Trade Legal Advisor"	Ashurst Perkins Coie Tokyo (Ashurst Perkins Coie Horitsu Jimusho Gaikokuho Kyodo Jigyo), our legal advisor as to International Sanctions, U.S. outbound investment laws and U.S. tariffs in connection with the Listing

[**REDACTED**]

"Latest Practicable Date"	August 24, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
	[**REDACTED**]
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
	[**REDACTED**]
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Nomination Committee"	the nomination committee of the Board
	[**REDACTED**]

"Pillar Two Rules"	the rules implementing the global minimum tax framework developed by the Organisation for Economic Co-operation and Development, including the Global Anti-Base Erosion Model Rules, as transposed into applicable local law, pursuant to which certain multinational enterprise groups are subject to a minimum effective tax rate in each jurisdiction in which they operate
"PRC government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
"PRC Legal Advisor"	Jingtian & Gongcheng, our legal advisor as to PRC laws in connection with the [**REDACTED**]
"Practice Note 15"	Practice Note 15 to the Listing Rules

[**REDACTED**]

"Primary Sanctioned Activity"	has the meaning ascribed to it under Chapter 4.4 of the Guide
"Qualified Institutional Buyer" or "QIB"	a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act

[**REDACTED**]

[**REDACTED**]

"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganization"	the offshore and onshore reorganization as set out in section headed "History, Reorganization and Corporate Structure—The Reorganization" in this document

[**REDACTED**]

"Retained Sunny Optical Technology Group"	Sunny Optical Technology and its subsidiaries, excluding our Group
"Rule 144A"	Rule 144A under the U.S. Securities Act
"Secondary Sanctionable Activity"	has the meaning ascribed to it under Chapter 4.4 of the Guide
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SA"	Summit Autotech Limited (賽米特汽車技術有限公司), a company incorporated in Hong Kong on November 12, 2025 and a wholly owned subsidiary of our Company
"SAV"	Sunny Automotive Vina Company Limited, a limited liability company established in Vietnam on November 12, 2019 and a wholly owned subsidiary of our Company
"SAOV"	Sunny Automotive Optech Vina Company Limited, a limited liability company established in Vietnam on October 5, 2023 and a wholly owned subsidiary of our Company
"Share(s)"	ordinary share(s) with par value RMB1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of our Share(s)

"Smart Vista"	Smart Vista Technologies Company Limited (慧景技術有限公司), a company incorporated in Hong Kong on July 10, 2015
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
	[**REDACTED**]
"Strategy and Development Committee"	the strategy and development committee of the Board
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Summit Technology (BVI)"	Summit Optics Technology Limited, a company incorporated under the laws of BVI with limited liability on July 6, 2006, and one of our Controlling Shareholders
"Summit Technology (HK)"	Summit Optical Technology Limited, a company incorporated under the laws of Hong Kong with limited liability on May 4, 2006, and one of our Controlling Shareholders
"Sunny Automotive Optech"	Ningbo Sunny Automotive Optech Co., Ltd. (寧波舜宇車載光學技術有限公司), a limited liability company established in the PRC on April 10, 2008 and a wholly owned subsidiary of our Company
"Sunny Group"	Sunny Group Co., Ltd. (舜宇集團有限公司), a limited liability company established in the PRC on June 9, 1993
"Sunny Optical Technology"	Sunny Optical Technology (Group) Company Limited (舜宇光學科技(集團)有限公司), an exempted company incorporated in the Cayman Islands with limited liability on September 21, 2006, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2382), and one of our Controlling Shareholders
"Sunny Optical Technology Group"	Sunny Optical Technology and all of its subsidiaries from time to time, including our Group
"Sunny Optical Overseas"	Sunny Optical Overseas Limited (舜宇光學海外有限公司), a company incorporated under the laws of Hong Kong with limited liability on October 21, 2005, and one of our Controlling Shareholders

"Sunny SmartLead"	Zhejiang Sunny SmartLead Technologies Co., Ltd. (浙江舜宇智領技術有限公司), a limited liability company established in the PRC on November 23, 2015 and a wholly owned subsidiary of our Company
"Sun Xiang Optical"	Sun Xiang Optical Overseas Limited (舜享光學海外有限公司), a company incorporated under the laws of BVI with limited liability on July 6, 2006, and one of our Controlling Shareholders
"Sun Yu Optical"	Sun Yu Optical Technology Limited (舜宇光學科技有限公司), a company incorporated under the laws of BVI with limited liability on July 6, 2006, and one of our Controlling Shareholders
"Sunny Zhejiang Optics"	Zhejiang Sunny Optics Co., Ltd. (浙江舜宇光學有限公司), a limited liability company established in the PRC on December 29, 2001, and one of our Controlling Shareholders
"Track Record Period"	the years ended December 31, 2025 and the six months ended June 30, 2026

[**REDACTED**]

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	United States dollar(s), the lawful currency of the United States
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"we," "us" or "our"	the Company or the Group, as the context requires

ACRONYMS

"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result
	[**REDACTED**]
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"ESG"	environmental, social and corporate governance
	[**REDACTED**]
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"VAT"	value-added tax

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

Certain amounts and percentage figures included in this document were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them.

For the purpose of this document, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

π-mirror	a chassis blind spot real-time monitoring system that eliminates potential blind spots under the vehicle through unique optical design and optimized installation positioning
3D	three-dimensional
8/17M	8/17 mega
AA	active alignment, a high-precision assembly process that uses real-time optical feedback to position lens elements with micro-meter accuracy relative to image sensors
ADAS	advanced driver assistance systems
ADB	adaptive driving beam
ADS	autonomous driving systems
AEB	automatic emergency braking
ALD	atomic layer deposition, a thin-film deposition technique used for applying coating materials that meet automotive-grade requirements
AR-HUD	augmented reality head-up display
AVM	around view monitor
CFA	color filter array, the array of color filters on an image sensor that enables image sensors to perceive red, green and blue light to generate color images
CMOS	complementary metal-oxide-semiconductor
CMS	camera monitor systems
CO_2	carbon dioxide
COB	chip-on-board, a packaging technology that directly mounts image sensor chips onto printed circuit board assemblies, eliminating the need for traditional chip carriers
DLP	digital light processing, a projection technology using a micro-mirror array to generate high-brightness images

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DLP PGU	digital light processing picture generation unit, an ultra-high-resolution image generation component used in advanced AR-HUD systems
DMS	driver monitoring systems
DVR	digital video recorder
E/E Architecture	the vehicle's electrical and electronic system architecture
F.NO	the ratio of the lens focal length to the diameter of the entrance pupil, expressed as f/N (such as f/1.8 or f/2.0), where a smaller value indicates a larger aperture allowing more light to enter the sensor
FOV	field of view, the angular extent of the observable area that a camera can capture
Glass-plastic hybrid	a lens structure that combines glass and plastic optical elements to achieve optimal balance of optical performance, weight reduction and cost efficiency
HFOV	horizontal field of view, the range of vision that the camera can capture in the horizontal direction, measured in degrees
HMI	human-machine interface, the interfaces and interaction methods for users to receive information from and control vehicle systems
HUD	head-up display
IATF 16949	the international quality management system standard specifically developed for the automotive industry
IR	a color filter configuration for infrared light detection used in driver monitoring applications
ITO	indium tin oxide, a transparent conductive material used in heating films for automotive optical components
L2	level 2 of driving automation, or partial automation. level 2 capabilities can assist drivers in controlling speed and steering, such as help with stop-and-go traffic by maintaining the distance between the driver's vehicle and the vehicle in front, and providing steering assist by centering the vehicle within the lane, while still requiring drivers to have hands on the wheel and be ready to take control at any given moment

GLOSSARY OF TECHNICAL TERMS

L3	level 3 of driving automation, or conditional automation, which allows vehicles to drive themselves, but only under ideal conditions and with limitations, such as limited access divided highways at a certain speed and parking lots. Drivers are still required behind the wheel whereas their hands are off the wheel
L4	level 4 of driving automation, or high automation, which allows vehicles to drive themselves without human interactions but will be restricted to known use cases, or in most environments and road conditions
LCoS	liquid crystal on silicon, a microdisplay/projection technology using liquid crystal on a silicon backplane for image formation
LED	light-emitting diode
LiDAR	Light detection and ranging sensor, a remote sensing method that uses light to measure the distance or range of objects
LT+N	an inventory ordering model where LT refers to the supplier lead time and N refers to additional buffer days for procurement planning
MOC	mechanical-opto-coupled, a simulation design methodology that enables integrated simulation and optimization of optical, mechanical and thermal performance
MTF	modulation transfer function, a measurement of the optical performance and image quality of a lens system
MWh	megawatt-hour
MWp	megawatt-peak
NEV	new electronic vehicle
NEVs	new energy vehicles, vehicles that use alternative fuel sources such as electricity, hydrogen or hybrid powertrains
nm	nanometer, a unit of wavelength measurement equal to one billionth of a meter
Nomination	the selection by a customer for a particular project or product, typically following a competitive evaluation process
OEMs	original equipment manufacturers, which assemble and install automotive parts during the construction of a new vehicle

GLOSSARY OF TECHNICAL TERMS

OMS	occupant monitoring systems
Opto-mechanical-electro-algorithmic	an integrated technology platform combining optical, mechanical, electrical and algorithmic capabilities for comprehensive system-level optical solutions
Opto-mechanical transceiver	an integrated optical and mechanical assembly that transmits and receives laser signals in LiDAR systems
PCBA	printed circuit board assembly, a printed circuit board with electronic components mounted on it
PGU	picture generation unit, the core image generation component of in-cabin projection display systems, functioning as an integrated compact projector
Pixel	the number of photosensitive units on an image sensor
ppm	parts per million
PV	peak-to-valley, the difference between the actual surface profile curve and the theoretical surface profile curve of an optical component, where a smaller value indicates more precise optical surface and better optical performance
RCCG	a color filter array pattern with red, cyan, cyan, green configuration
RGB	a common color filter array pattern with red, green, blue configuration
RGB-IR	a color filter array pattern with red, green, blue and infrared configuration
RGGB	a color filter array pattern with red, green, green, blue configuration
Robotaxi	an autonomous vehicle designed to provide driverless taxi services to passengers
ROI	region of interest, the designated area on the chip where the laser spot should fall after reflecting off the target object and returning
RYYCy	a color filter array pattern with red, yellow, yellow, cyan configuration
SDV	software defined vehicle, a vehicle architecture where software controls and defines vehicle functions, enabling over-the-air updates and feature enhancements

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SMT	surface mount technology
SOC	system on chip, an integrated circuit that consolidates multiple electronic components and functions onto a single chip
SPAD	single-photon avalanche diode, a type of photodetector used in LiDAR systems for detecting reflected laser signals
sq.m.	square meters
tCO_2	tonnes of carbon dioxide equivalent
TFT	thin-film transistor, a display-driving technology commonly used in flat-panel displays and certain HUD optical engines
Tier-1 suppliers	automotive suppliers that supply components, systems or modules directly to OEMs
TOF	time-of-flight, a distance measurement technology used in camera modules that calculates the time taken for light to travel to an object and back to determine depth information
VLA	vision-language-action
world model	neural networks that understand the dynamics of the real world

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our strategies, plans, objectives and goals and our ability to successfully implement them;
- future developments, trends, conditions and competitive landscape in the industry and markets in which we operate;
- our ability to identify and satisfy customers demands and preferences;
- our ability to maintain good relationships with business partners;
- estimates of our costs, expenses, future revenues, capital expenditures and our needs for additional financing;
- our ability to attract and retain senior management and key employees;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our financial condition and operating results and performance;
- industry trends and competition; and
- general political and economic conditions.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an [**REDACTED**] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, results of operations, financial conditions and prospects. In any such case, the market price of our H Shares could decline, and you may lose all or part of your* [**REDACTED**].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this Document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) doing business in the jurisdictions we operate; and (iii) risks relating to the [**REDACTED**] and the [**REDACTED**].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, results of operations, financial condition and prospects. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Unfavorable economic conditions and consumer acceptance impacting the automotive industry could limit market adoption of vehicle optical products, which may materially and adversely affect our business operations, results of operations and financial condition.

Our business depends on, and is directly affected by, China's and global automobile industries. We primarily operate our business in China, and have also expanded overseas into regions such as Europe, other parts of Asia and North America. Accordingly, economic conditions in such regions can have a large impact on the production volume of new vehicles, and, accordingly, have an impact on our business operations and financial condition. Automotive production and sales are highly cyclical and depend on general economic conditions, consumer acceptance and other factors, including consumer spending and preferences, changes in interest rate levels and credit availability, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. In addition, automotive production and sales can be affected by our customers' ability to continue operating in response to challenging economic conditions. The volume of global automotive production has fluctuated, sometimes significantly, from year to year, and such fluctuations give rise to fluctuations in the demand for our products. Any significant adverse change in any of these factors, including, but not limited to, general economic conditions and the resulting bankruptcy of our customers or the closure of their manufacturing facilities, may reduce automotive sales and production by them, and could have a material adverse effect on our business operations and financial condition.

We operate in a highly competitive industry with an evolving landscape.

We primarily compete in the vehicle optical product market in China, which is characterized by intense competition and constant changes, including rapid technological evolution, frequent introductions of new products, continual shifts in customer demands and periodic emergence of new industry standards and practices. We have also expanded overseas into regions such as Europe, other parts of Asia and North America. The competitive landscape of these markets continues to evolve, affected by the general economic, political, regulatory and social conditions of such market and the competitive advancements in technology.

We cannot assure you that we can maintain the position in vehicle optical technology. Factors affecting competition include, among others, technological innovation, product quality and safety, product pricing, sales efficiency, manufacturing efficiency, quality of services and branding. Our future success will depend on our ability to develop superior products and to maintain our competitive position with respect to our technological advances over our existing and any new competitors. Although we believe we have led many innovations in our field, there are significant challenges to stay competitive and we face competition from other competitors. Some of our competitors may have more advanced technologies and better financial resources and/or may be able to offer products at lower prices or with more favorable payment terms. The competitive landscape of these markets is also subject to uncertainty due to potential new entrants. Competing against these players may hinder our ability to successfully maintain our market share in sensing and cabin products or expand our market share in other vehicle optical products. If we cannot compete effectively with existing or future competitors, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, even if we are able to compete effectively, the expansion of market share may come at the expense of our profitability, which may adversely affect our business, results of operations and financial condition.

We may fail to further refine our technology and develop and introduce new products due to rapid technological changes and advancements.

We consider that the vehicle optical product industry is characterized by rapid technological advancements and frequent new product specifications. We believe that our future success will largely depend on our ability to successfully anticipate technological changes and keep pace with technological advances in a cost-effective manner and timely basis. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development expenditure amounted to approximately RMB485.1 million, RMB545.9 million, RMB559.7 million, RMB279.6 million and RMB258.5 million, respectively, representing approximately 9.2%, 9.1%, 7.8%, 8.3% and 7.0% of our revenue, respectively, for the same period. However, we may encounter practical difficulties in commercializing the results of our research and development activities and launching new products as originally intended, or our research and development expenditures may not lead to the benefits we expected or at all. For example, we are pursuing opportunities in the LiDAR industry which is undergoing rapid technological changes. While we intend to continue to invest substantial resources in LiDAR-related technologies, rapid technological changes and advancements could adversely affect market adoption of our products. A swift change in the technologies that our customers prefer would significantly affect our ability to deliver products that meet market demands. If we fail to adequately respond to technological developments and to continuously and effectively improve our existing products and services in line with the market trends, our business, financial condition and results of operations may be materially and adversely affected.

Further, we may encounter technological obsolescence relating to our production machinery and equipment and production methods due to advances in manufacturing technologies. We cannot assure you that our current manufacturing technologies will not be replaced by new manufacturing technologies, driven by rapid technological advancements, that may render our current production machinery and equipment and production methods obsolete. If we fail to adjust our production machinery and equipment promptly and effectively or are required to invest substantial amount in new production machinery and equipment due to new technologies, our business, financial condition and results of operations will be materially and adversely affected.

The expansion of our international operations may expose us to additional regulatory, economic and political risks, the failure to handle which may adversely affect our business, results of operations and financial condition.

We have established a global presence, with our products sold to various foreign regions, primarily including Europe, other parts of Asia and North America during the Track Record Period. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and

2026, our total revenue derived from overseas amounted to RMB2,902.0 million, RMB2,886.7 million, RMB2,930.2 million, RMB1,484.4 million and RMB1,584.7 million, respectively, accounting for 55.1%, 48.2%, 40.8%, 44.3% and 42.8% of our total revenue, respectively, during the same periods. These overseas markets are characterized with challenges in economic conditions and political and regulatory uncertainties, which could seriously hinder our sales.

Due to our international business operations, we are subject to laws and regulations of various countries or regions in which we conduct our business. The legal, political and business environments affecting our operations are constantly evolving, vary between jurisdictions and often lack clarity or predictability, which may increase our compliance costs and legal risks. Subsequent legislations, regulations, litigations, court rulings or other events could expose us to increased costs, liabilities and risks of reputational damage. Further, uncertainties in the business and legal environments in foreign countries to which our business activities are related may adversely affect our business, operating results and financial condition.

The demand for our vehicle optical products is also highly dependent on the economic conditions of the markets that we operate in. If any of our major markets experience political or economic instability or depreciation of local currencies against the U.S. dollar (in which most of our overseas sales are denominated), the demand for our products may drop and our business may be materially and adversely affected.

Our business, financial condition and results of operations could be materially and adversely affected if we lose any of our major customers or are prevented from selling to any of our top customers.

For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, sales to our largest customer in each period of the Track Record Period accounted for 14.7%, 13.5%, 8.8% and 8.2% of our revenue, respectively, while our five largest customers in each of the same periods accounted for 56.5%, 47.7%, 36.4% and 35.1% of our revenue, respectively. However, we cannot guarantee that our existing customers will continue to procure our products for their new vehicle models or will maintain their partnerships with us for our ongoing projects or future projects. Our procurement agreements typically do not obligate our customers to purchase our products in any certain quantity. There exists a risk that any loss of sales from our current customers could adversely affect our revenue. In the future, these customers may decide to purchase fewer products than they did in the past, not to incorporate our products into their business, delay their purchases of our products, purchase products from our competitors, or to alter their purchasing patterns in some other way, which may adversely affect our business, results of operations, and financial condition.

Furthermore, many of our customers are large, multinational corporations with significant development resources and, in some instances, may acquire or develop independently, or in partnership with others, competitive technologies. Meeting the technical requirements of any of these companies and being selected by them for supplying vehicle optical products will require a substantial investment of our time and resources. We cannot assure you that our vehicle optical products will be selected by these companies or that we will generate meaningful revenue from the sales of our products to these key customers. If our products are not selected by these large corporations or if these corporations develop or acquire competitive technology, our business, financial condition and results of operations could be adversely affected.

The vehicle optical products are highly complex, which could expose us to product liability claims or recalls resulting from product quality issues, and materially and adversely affect our business, reputation, results of operations and financial condition.

Automotive optical products are sold to our customers to be installed on vehicles. Those products are highly technical and very complex and require high standards to manufacture and may experience defects, errors or reliability issues at various stages of development. We may be unable

to timely release new products, manufacture existing products, correct problems that have arisen or correct such problems to our customers' satisfaction. Additionally, undetected errors, defects or security vulnerabilities, especially as new products are introduced or as new versions are released, could result in serious injury or even death to the drivers and/or passengers of vehicles equipped with vehicle optical products or those in the surrounding area, litigation against the underlying vehicle optical products providers, negative publicity and other consequences.

Automotive optical products are subject to risks, and accidents associated with such technologies have occurred periodically. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by customers, in which case we may incur significant additional development costs and product recall, repair, replacement costs or compensation. To the extent accidents associated with our vehicle optical products occur, we could be subject to liability, claims, government scrutiny and further regulations. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our business, reputation, results of operations and financial condition. Although we attempt to remedy any issues we observe in our vehicle optical products as effectively and rapidly as possible, such efforts may not be timely, may hamper production or may not be to the satisfaction of our customers. Furthermore, accidents or defects caused by third parties' vehicle optical products may negatively affect public perception, or result in regulatory restrictions, with respect to autonomous driving technology.

Our vehicle optical products may be affected by regulatory restrictions. For example, our research and development activities on vehicle optical products are subject to regulatory restrictions on autonomous driving. Any tightening of regulatory restrictions could have a material adverse impact on our development of vehicle optical products. The regulatory framework governing autonomous driving in the PRC is evolving rapidly. The PRC regulatory authorities have in recent years intensified their oversight of the autonomous driving industry. While the regulatory oversight is primarily directed at autonomous vehicle operators rather than component suppliers such as our Group, the regulatory oversight may impose indirect compliance obligations on us, requiring us to cooperate with our customers in many areas to further strengthen our products. There can be no assurance that we will be able to satisfy all such compliance requirements in a timely and cost-effective manner, or that the evolving regulatory landscape will not result in additional compliance costs, delays in product certification or changes to our product specifications. Furthermore, any tightening of regulatory restrictions on autonomous driving operations, including any suspension or restriction on the issuance of licenses for autonomous vehicle testing or operations, could reduce or delay the deployment of autonomous vehicles in the PRC, which could in turn adversely affect demand for our products. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition. In addition, our vehicle optical products may be affected by the PRC government's new energy vehicle subsidies policies. Any reduction, modification or discontinuation of new energy vehicle subsidies could adversely affect the demand for new energy vehicles, which in turn could reduce demand from our customers for our vehicle optical products and materially and adversely affect our business, results of operations and financial condition.

We may be subject to the risks associated with international trade policies and trade protection measures.

In recent years, complexities in international relations have presented new challenges and ongoing uncertainties. Various countries have announced plans for and/or have already implemented new or modified tariffs. Between February and April 2025, the U.S. administration implemented tariffs on several major trading partners, including China, with a baseline tariff of 10% for imports from all countries and an additional individualized reciprocal tariff for imports from countries with which the United States has the largest trade deficits. On April 9, 2025, the U.S. President announced that the reciprocal tariffs would be paused for 90 days on trading partners who did not retaliate after such policy took effect, but the 10% baseline tariff would apply to nearly all

other U.S. trading partners. Tariffs on imports from China, increased and fluctuated significantly after April 2025, as the two countries implemented retaliatory tariffs. Following trade talks with China, the U.S. administration suspended the implementation of the heightened reciprocal tariffs in November 2025. In the meantime, only the 10% baseline tariff and a 10% reciprocal tariff would apply to Chinese imports. In February 2026, the U.S. administration imposed an additional tariff of 10% when the baseline tariff and reciprocal tariff were invalidated by the U.S. Supreme Court. Since July 2026, the 10% additional tariff expired and was replaced by another tariff regime targeting 60 economies, accounting for over 99% of U.S. imports, including China. Under the new regime, imports from China are imposed a 12.5% additional tariff on top of existing applicable duties. There is no assurance as to how tariffs or new trade policies introduced by the two countries will develop. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, the revenue generated from the U.S. accounted for 13.7%, 11.3%, 9.1% and 8.6% of the total revenue, respectively. We cannot predict how any potential impacts of developments in such policies on our business. If we, our suppliers or other partners are negatively affected by tariff policies, our business, financial condition and results of operations may deteriorate. Furthermore, we also export our products to other markets, such as Europe. Any increase in European tariffs would render our products more expensive and may lead to retaliatory tariffs. There is also a significant risk of supply chain disruptions, as tariff-burdened products from other parts of the world may be redirected to other markets. These developments, or the perception that any of them could occur, may reduce levels of international trade, investment, technological exchange, and other economic activities. They might also lead to changes in political and economic relations between countries, sanctions, export controls, and other geopolitical issues. These developments have created a dynamic and unpredictable trade landscape, which may adversely impact our business, financial condition, results of operations and prospects.

In substantially all of our transactions, our customers are responsible for import taxes and tariffs. Only in limited circumstances, where delivery is made under DDP (Delivered Duty Paid) terms, do we bear these costs when exporting products to certain countries. During the Track Record Period, all U.S. tariffs were borne by our customers and we did not pay any U.S. tariffs. Thus, we believe our exposure to U.S. tariffs is immaterial to our business. During the Track Record period and up to the Latest Practicable Date, our Directors confirm that we did not experience material order cancellations, lost customers, or margin compression attributable to U.S. tariffs, nor do we expect U.S. tariffs to have any material indirect effect on our performance. However, we cannot assure you that our customers will not request us to share the increased tariff costs or reduce their purchase volume or demand lower prices, any of which could have material adverse impact on our business, financial condition and results of operations.

We are susceptible to supply shortages and increased costs of raw materials and key components, any of which could disrupt our supply chain, increase our production costs, adversely affect our profitability and delay deliveries of our products to our customers.

We depend on third-party suppliers to provide 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 we expect to continue to do so for future products. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, purchases from our largest supplier in each period of the Track Record Period accounted for 17.3%, 14.2%, 13.0% and 15.9% of our total purchases, respectively, while purchases from our five largest suppliers in each period of the Track Record Period accounted for 56.4%, 49.0%, 50.0% and 49.8% of our total purchases, respectively. During each period in the Track Record Period, Retained Sunny Optical Technology Group was one of our five largest suppliers. We also entered into certain connected transactions with Retained Sunny Optical Technology Group. See "Connected Transactions" for further details of these transactions. Any shortages or delay in the supply of our raw materials and key components could result in price adjustments or cause delays in our production and delivery to customers.

We may in the future experience component shortages and price fluctuations of certain key components and materials, and the predictability of the availability and pricing of these components may be limited. Material supply is subject to numerous factors, including but not limited to international geopolitical factors, and these factors are beyond our control. Component shortages or pricing fluctuations could be material in the future. In the event of a component shortage, supply interruption or material pricing increase by suppliers of these components, we may not be able to develop alternative sources in a timely manner or at all. Developing alternative sources of supply for these components may be time-consuming, difficult and costly, and we may not be able to source these components on terms that are acceptable to us, or at all, which may increase our production costs and undermine our ability to fill customer orders in a timely manner. The loss of any supplier for any reason could lead to design changes and production delays, any of which could result in quality issues, delays and disruptions in deliveries, negative publicity and damage to our brand. In addition, our suppliers may fail to comply with applicable laws and regulations, or they may be involved in product liability claims or incidents of negative publicity. This could cause delays in shipment of our products and could adversely affect our relationships with customers.

If we are unable to keep up with demand for our products because of failing to obtain the materials and components needed to successfully manufacture and deliver our products in a timely manner, our business could be materially impaired, and market acceptance for our products could be adversely affected.

Further expansion of our production capacity may not be successful as we have planned.

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 Phu Tho and Nghe An provinces, dedicated to production of vehicle camera products, mainly serving our overseas customers. The annual production capacity of our sensing products for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, amounted to 72.5 million units, 78.2 million units, 115.1 million units and 52.3 million units, respectively. Our cabin products annual production capacity for the same periods amounted to 58.9 million units, 69.1 million units, 91.0 million units and 49.3 million units, respectively.

As we expect our business will continue to grow at a fast pace, we plan to further expand our production capacity, which includes the expansion of our manufacturing bases in Vietnam. Significant capital investment and human resources will be required for this plan, which may exceed our original estimates. However, there is no assurance that our production expansion plan will be successfully implemented without delay or will be commercially successful. Our production capacity expansion plan is also subject to interruptions caused by risks commonly associated with large construction and expansion projects, such as sufficiency of capital, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control. As such, we may not be able to achieve the planned production capacity expansion on time.

Furthermore, our investment in such expansion plans may not necessarily lead to the desired results. If the expansion results in production capacity that exceeds our business growth or does not align with market demand for certain product categories, we may encounter issues such as low utilization rates of production capacity, overproduction, increased fixed costs, and reduced margins. If any of the foregoing events occur, our business, results of operations, financial condition and prospects could be materially and adversely affected.

If we fail to maintain adequate inventory, or if we mismanage our inventory, we could lose sales or incur high inventory-related expenses and face inventory obsolescence risks, which could negatively affect our operating results and financial performance.

Our inventories primarily comprise (i) finished goods, (ii) work in progress, and (iii) raw materials. As of December 31, 2023, 2024, 2025 and June 30, 2026, we had inventories of RMB621.0 million, RMB787.6 million, RMB1,005.0 million and RMB939.9 million, respectively. Our inventory turnover days were 68.8 days, 66.5 days, 67.3 days and 67.9 days in the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026. To ensure adequate inventory supply, we forecast inventory needs, place orders sufficiently in advance with our suppliers and manufacture products based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including but not limited to uncertain market conditions, volatile customer demands, fierce market competition, and general economic conditions. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale.

Additionally, our own mismanagement of inventory could result in inventory levels in excess of customer demand, inventory write-downs and the sale of excess inventory at discounted prices, which would adversely affect our financial results, including our gross margin, and have a negative effect on our brand. We face higher risks of excessive or obsolescent inventories when we launch new products as the market reception to the products is uncertain. We assess impairment to inventories periodically during the Track Record Period, and may make provision to write down our inventories to the net realizable value if the inventories become outdated or are damaged or their prices go down and their net realizable values are lower than the costs of the inventories. Conversely, if we underestimate customer demand for our products, we, or our manufacturing partners, may not be able to deliver products to meet our requirements, and this could result in damage to our brand and customer relationships and adversely affect our business, results of operations and financial condition.

Continued pricing pressures from our customers, many of whom possess significant bargaining power, may result in lower than anticipated revenue and margins, which may materially and adversely affect our business prospects and results of operations.

During the Track Record Period, we have faced pressure on reducing the selling price of our products to maintain our market share. Many of our current and target customers possess significant bargaining power over their suppliers, including us, because they are large corporations with substantial negotiating power and stringent product standards, and/or are under pressure to pass the cost cut on to us due to intense market competition. The vehicle optical product industry is highly competitive, serves a limited number of customers and has a high fixed cost base. The growing competition among established players and new market entrants in the industry further exacerbates the pricing pressures we face. As such, we may face continued pricing pressure from our customers to reduce the price of our products. If we are unable to sell our products to these customers at desirable prices, our business, results of operations and financial condition will be adversely affected. Pricing pressures beyond our expectations may further intensify as our customers pursue restructuring, consolidation and cost-cutting initiatives.

The average selling prices of our products may decline as our customers seek to commercialize ADAS and ADS at prices low enough to further increase their market shares and expand the market. Moreover, the Chinese NEV market has experienced a general declining price trend, compounded by the phasing out of government subsidies to end consumers, which may have a material and adverse impact on the average selling price and gross margins of our products and services in the future. If we are unable to generate sufficient production cost savings in the future to offset price reductions or introduce new products with higher sale prices or gross margins, our gross margin and profitability would be adversely affected.

Our sales results partially depend on the sales results of our customers, which, in turn, may depend on effective integration by our customers and the overall user experience of the vehicle models integrated with our products.

The sales results of our products will depend on the sales results of our customers, which, in turn, may depend on whether our customers effectively integrate our products into their vehicle models. Our products are technologically complex, incorporate many technological innovations, and are typically subject to significant safety testing, and OEMs also generally devote significant resources to test and validate our products before integrating them in a vehicle model. These integration cycles result in our investment of resources prior to realizing any revenue from a vehicle model. Our vehicle optical products impact various vehicle functions, including safety, navigation and braking, and therefore must be integrated effectively with the other systems of the vehicle developed by our customers, and we may be unable to achieve the requisite level of interoperability in a vehicle model for our products to be implemented even after a design-win. In addition, the sales results of a vehicle model depend on overall user experience, including, among others, human machine interface, vehicle space, vehicle interior and operability, which are all beyond our control. Despite the effective integration, the vehicle models integrated with our products may generate poor sales results due to poor overall user experience of the vehicle models, which, in turn, affect the sales results of our products.

We may be exposed to credit risk of trade receivables.

As of December 31, 2023, 2024, 2025 and June 30, 2026 our trade receivables amounted to RMB1,324.4 million, RMB1,593.3 million, RMB1,957.7 million and RMB1,955.6 million, respectively. Our trade receivables turnover days were 83.8 days, 88.9 days, 90.1 days and 95.0 days in the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026. We may not be able to collect all such trade receivables due to a variety of factors, some of which may be beyond our control, such as financial condition of our customers. See "Financial Information — Discussion of Selected Balance Sheet Items — Trade and Other Receivables and Prepayments." If we fail to receive payments from our customers on a timely basis, our cash flows and financial position could be materially and adversely affected.

Our customers may not be able to settle accounts regularly or make payments on schedule. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of certain of our customers to make required payments. In the future, we may have to record additional provisions or write-offs and/or defer revenue on certain sales transactions, which could negatively impact on our financial results, and we may not be able to acquire credit insurance on the credit we extend to these customers or in amounts that we deem sufficient.

We are subject to regulatory risks with respect to our tax compliance.

In the ordinary course of business, we may be subject to inquiries, reviews, claims, assessments or other regulatory actions conducted by relevant tax or revenue authorities in the jurisdictions in which we operate. Such regulatory actions may also divert our management's attention and other resources, especially if they are not resolved in a timely manner. For example, we carried out certain intra-group transactions during the Track Record Period, and our profit allocation and income tax positions in connection with such transfer pricing arrangements are subject to the interpretations by relevant tax authorities of applicable tax law as well as applicable rules and regulations with respect to transfer pricing in relevant jurisdictions. There is no assurance that the respective tax authorities would not challenge the appropriateness of our historical transfer pricing arrangements or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If a competent tax authority later determines that the transfer prices and the transaction terms that we have adopted as well as our historical income tax provisions and accruals are not appropriate, such authority may require the relevant subsidiaries to re-assess the transfer prices and re-allocate the income or adjust the taxable income. If we are considered not to be in compliance with the applicable transfer pricing rules and regulations, the relevant tax authority may also have the power to order us to pay all outstanding tax and statutory interest and/or fines.

Discontinuation of any preferential tax treatment or imposition of any additional taxes could materially and adversely affect our financial condition and results of operations.

The EIT Law imposes a tax rate of 25.0% on business enterprises. Our PRC subsidiaries, Sunny Automotive Optech and Sunny SmartLead, domestic limited liability companies, were recognized as a Hi-Tech Enterprises and entitled us to a preferential tax rate of 15.0% under the relevant PRC tax regulations with the expiry date in December 2026. We expect to renew this qualification. If we fail to renew its Hi-Tech Enterprises qualification, our applicable corporate income tax rate would increase to 25.0%, which would have a material adverse effect on our financial condition and results of operations. In addition, certain countries and regions that we operate are subject to Pillar Two Rules. We recognized RMB16.8 million, RMB48.1 million, RMB6.9 million and RMB6.2 million in respect of the Pillar Two Rules for the years ended December 31, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, 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 and the six months ended June 30, 2026. We cannot assure you that our Hi-Tech Enterprise qualification will be successfully renewed, or that additional taxes (such as those imposed by Pillar Two Rules) will not be imposed on us. If tax rates are changed or additional taxes are imposed, our financial condition and results of operations may be materially and adversely affected.

Our business development benefited from government grants. Any future reductions or withdrawal of governmental grants could materially and adversely affect our business, financial condition and results of operations.

Our growth and business development have benefited, and are expected to continue to benefit, from supportive government grants, which were mainly in relation to our R&D efforts. However, there can be no assurance that such regulatory support will continue at the current level or at all. Any reduction, modification, or withdrawal of these policies due to changes in government priorities, budget constraints, shifts in political landscape, or macroeconomic conditions, may adversely impact our business.

In the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded government grants of RMB40.5 million, RMB28.3 million, RMB26.4 million, RMB11.4 million and RMB14.2 million, respectively. If governmental authorities decide to reduce or cancel such government grants, or require us to repay part or all of the government grants we previously received pursuant to applicable laws and regulations, our business, financial condition and results of operations may be adversely affected. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain government grants that may become available to us in the future, and such failure could adversely affect our business, financial condition and results of operations.

We face exposure to foreign currency risks.

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, mainly in U.S. dollar. We recorded net foreign exchange gains of RMB48.4 million and RMB47.2 million in the years ended December 31, 2023 and 2024 and net foreign exchange losses of RMB44.6 million in the year ended December 31, 2025, and net foreign exchange losses of RMB15.3 million and RMB18.3 million in the six months ended June 30, 2025 and 2026, respectively. Any significant revaluation of the Renminbi may adversely affect our financial condition and results of operations.

Additionally, the net [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rates among the Renminbi, the Hong Kong dollar, the U.S. dollar, Euro and other foreign currencies will affect the relative purchasing power in Renminbi in terms of the [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also incur foreign exchange losses and affect the relative value of any dividend issued by us. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar, the U.S. dollar or Euro may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business, financial conditions or results of operations.

We historically invested and may in the future invest in low-risk wealth management products.

During the Track Record Period, we invested in low-risk wealth management products issued by the banks to mobilise our capital and generate investment returns for the benefits of our Shareholders. Our financial assets at fair value through profit or loss amounted to nil, RMB255.4 million, RMB687.2 million and RMB1,535.0 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively. Going forward, we may from time to time invest in low-risk wealth management products with low-risks on a case-by-case basis if these products are in our interest upon evaluations and analyses. The investment in low-risk wealth management products may be subject to various risks that are out of our control, including risks relating to macro-economic environment and general market conditions, as well as the risk control and the credit of the issuing banks. We cannot assure you that we will achieve fair value gains on the low-risk wealth management products we invest in or we will not incur any fair value losses on our investments in low-risk wealth management products in the future. If we incur such fair value losses, our business, results of operation and financial condition may be materially and adversely affected. There can also be no assurance that the internal policies and guidelines that we currently have in place to manage our investment in low-risk wealth management products will always be effective, or at all. If we fail to properly manage the risks in relation to our investment in low-risk wealth management products, we may incur losses, and as a result, our financial condition may be adversely affected.

We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our products and such efforts to defend and protect our intellectual property may be costly.

The success of our products and our business depend in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in China and other jurisdictions. We rely on a combination of patents, trademarks and trade secrets, as well as confidentiality procedures and contractual restrictions to establish and protect our proprietary rights, and yet all of which provide only limited protection.

We cannot assure you that any patents will be issued with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patents issued to us will not be challenged, invalidated or circumvented. We have filed for patents primarily in the jurisdiction of the PRC, but such protections may not be available in all countries in which we operate, or seek to operate, or in which we seek to enforce our intellectual property rights. Our currently issued patents and any patents that may be issued or registered in the future may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. The confidentiality procedures and contractual restrictions implemented by us may not be sufficient or effective. Moreover, others may independently develop technologies that are competitive to us or infringe our intellectual property.

Protecting against the unauthorized use of our intellectual property and other proprietary technology is expensive and difficult, particularly internationally. Our patents and proprietary technologies are the foundations of our vehicle optical products and we intend to leverage our patent portfolio to maintain our competitive advantages and drive continued growth. Unauthorized

parties may attempt to copy or reverse engineer our technology or certain aspects of our products that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our products, to determine the validity and scope of the proprietary rights of others or to block infringing products in China or other jurisdictions. Any such litigation, whether initiated by us or a third party, could result in substantial costs and diversion of management resources, either of which could materially and adversely affect our business, operating results and financial condition. Even if we obtain favorable outcomes in litigation, we may not be able to obtain adequate remedies.

Third-party claims against us in relation to infringement of intellectual property rights, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses, and our business could be adversely affected.

From time to time, we may be subject to intellectual property disputes or litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights or other rights. As a player in the industry with significant market position, we face heightened exposure to intellectual property rights claims, commercial disputes and other assertions against us.

We may become a party to litigation and disputes related to intellectual property, our business practices, and our products. We could incur significant legal expenses defending against the claims, even those without merit. Moreover, because even claims without merit can damage our reputation or raise concerns among our clients, we may feel compelled to settle claims at a significant cost. Furthermore, the results of any such litigation, investigations and legal proceedings are inherently unpredictable and may be costly. Therefore, any claims against us, whether meritorious or not, could be time-consuming, costly and harmful to our reputation, and could divert management's attention and require significant amounts of corporate resources.

We may be subject to risks associated with export control, economic or trade sanctions and investment restrictions.

Geopolitics and international trade tensions have led to certain countries and organizations utilizing economic sanctions, export controls, investment restrictions and other restrictive measures. These policies have introduced uncertainties to global investment activities, increased compliance costs and limited access to critical resources necessary to R&D activities and operations for companies operating in affected industries. The U.S. and other jurisdictions or organizations, including the European Union, the United Kingdom and the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, or organizations within such countries.

As advised by our International Trade Legal Advisor, our Directors confirm that we complied with applicable laws in the jurisdictions where we have operations during the Track Record Period and up to the Latest Practicable Date. However, we cannot predict the interpretation or enforcement of any International Sanctions or governmental policy at the U.S. federal, state or local levels or any policy by the European Union, the United Kingdom, the United Nations and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. We cannot assure you that regulators will not take the position that our past, current or future activities globally constitute sanctionable activities or even violations. Our business and reputation could be adversely affected if any competent authorities were to determine that any of our activities constitutes a violation of any International Sanctions they impose or provides a basis for a sanctions or export control designation of us. Any of our customers or suppliers becomes sanctioned targets in the future, we may have to discontinue our business with such customers or suppliers due to potential sanctions liability risks. In such events, our financial results may be materially and adversely affected.

In addition to export controls, the U.S. has introduced import controls restricting sales of certain covered vehicle connectivity systems ("**VCS**") hardware or completed connected vehicles that incorporate software that supports the function of VCS or automated driving software ("**ADS**") with a Chinese or Russian nexus. On January 16, 2025, BIS implemented the final rule of Securing the Information and Communications Technology and Services Supply Chain: Connected Vehicles (the "**CV Rule**"), which went into effect on March 17, 2025. Our International Trade Legal Advisor has advised that the CV Rule should not affect our U.S. customers, because our products sold during the Track Record Period and up to the Latest Practicable Date should not be classified as "VCS hardware" or "covered software" subject to the CV Rule's restrictions. Therefore, our Directors are of the view that the CV Rule does not have any material and adverse impact on our business operation, financial performance or future prospects. However, we cannot predict how the CV Rule or similar regulations made by other jurisdictions will develop in the future. Our business, financial condition and results of operation may suffer if the CV Rule or similar regulations made by other jurisdictions limit the potential markets for our products.

Moreover, we may be subject to review and enforcement under domestic and foreign laws that govern foreign investment and acquisitions. In both U.S. and non-U.S. jurisdictions, these regulatory requirements may apply different requirements based on the nature of the company and the profiles of the investors involved. As a result, investments by particular investors may need to be filed with local regulators or could even be prohibited under certain circumstances, which limits our ability to engage in strategic transactions that might otherwise be beneficial to us and our investors. These laws and regulations are also subject to modification and updates from time to time.

The Outbound Investment Security Program, or OISP, has been introduced by the U.S. government for reviewing U.S. outbound investments in certain national security technologies and products in "countries of concern," targeting investments that could contribute to sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies and artificial intelligence sectors that are critical for the military, intelligence, surveillance or cyber-enabled capabilities of these nations. See "Business — Compliance and Legal Proceedings — Outbound Investment Security Program (OISP)" for details. As advised by our International Trade Legal Advisor, we are not a "covered foreign person" as defined in the OISP. However, we cannot assure you that the U.S. authorities will not take a different view on the applicability of the OISP.

The rules and regulations regarding U.S. outbound investment may be subject to further development. On December 18, 2025, U.S. President Trump signed into law the National Defense Authorization Act for Fiscal Year 2026, which includes the Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"). The existing OISP regulations remain in effect, but the COINS Act requires the Treasury to propose certain revisions to the OISP within 450 days of December 18, 2025. Those revisions ultimately will include, among other changes, an expansion of the countries of concern, an expansion of the technologies covered to include hypersonic systems, revisions to key defined terms, and the establishment of a formal advisory opinion process. If our ability to raise capital from U.S. investors is significantly and negatively affected by the COINS Act or similar laws and regulations, it could be harmful to our business, financial condition and prospects. In addition, if any legislative proposals, amendments to existing legislation, or new laws are enacted and implemented in any jurisdiction where we operate or plan to expand, these changes could limit our ability to develop and expand our business in these markets, which may in turn materially and adversely affect our business, financial condition, and results of operations.

The data privacy and data security laws, including those in China, are subject to rapid and evolving changes, imposing significant compliance requirements on us, and any concerns about our practices or policies with respect to the processing of data, could materially and adversely affect our business, financial condition, reputation and results of operations.

As our customers are primarily Tier-1 suppliers and OEMs rather than individual consumers, we do not collect personal information from end consumers. Nonetheless, our operations subject us to laws and regulations on data privacy and security in the PRC and in other jurisdictions where we currently operate or intend to operate. The regulatory and legal frameworks regarding data privacy and security issues in many jurisdictions are constantly evolving and developing and can be subject to significant changes from time to time, including in ways that may result in conflicting requirements among various jurisdictions. Interpretation and implementation standards and enforcement practices are similarly in a state of flux and are likely to remain uncertain for the foreseeable future. As a result, we may not be able to comprehensively assess the scope and extent of our compliance responsibility at a global level. Moreover, these laws, regulations and standards may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may be inconsistent with our existing practices. To ensure sound compliance, we need to devote more resources and efforts. Moreover, the theft, loss, or misuse of data to run our business or by our partners could result in significantly increased security costs, damage to our reputation, regulatory proceedings, litigation, fines, investigations, remediation efforts, indemnification expenditures, disruption of our business activities or other increased costs related to defending legal claims. During the Track Record Period and as of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had not been subject to any inspection, action, compulsory administrative measure or penalty from the PRC authorities or any other relevant regulatory bodies in relation to our compliance with privacy and data protection laws and regulations.

Any failure or perceived failure by our customers or business partners to comply may result in investigations, proceedings or actions against us, including fines and penalties or enforcement orders (including orders to cease processing activities) being levied on us by government agencies or proceedings or actions against us by our business partners, customers or end consumers, including class action litigation in certain jurisdictions, and could damage our reputation and discourage current and future business partners and/or customers from using our products.

Evolving environmental, health and safety laws and regulations and manufacturing standards may increase our compliance costs and affect our operations.

We are subject to national and local environmental, health and safety laws and regulations applicable to us in China including but not limited to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), the Administrative Measures for Pollutant Discharge Permit (《排污許可管理條例》) and the PRC Fire Prevention Law (《中華人民共和國消防法》). We are also subject to national and local environmental, health and safety laws and regulations applicable to us in Vietnam such as the Law 72/2020/QH14 on Environmental Protection. In addition, our manufacturing lines can only be put into operation after the relevant administrative authorities in charge of environmental protection, health and safety have examined and approved the relevant facilities. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our ability to research, develop and manufacture our products as planned. As such laws and regulations may evolve, we may not be able to accurately predict any potential substantial cost of complying with, these laws and regulations. As a result, we may incur monetary expenses and devote management time and resources in their compliance, and may also experience negative publicity, which could affect our business, reputation, financial condition and results of operations.

We may need to devote additional efforts and resources to obtain and maintain the requisite licenses and approvals required in the jurisdiction that we operate or plan to operate.

Our operations require multiple licenses, permits and approvals. See "Business — Licenses, Permits and Approvals." Certain licenses, permits or approvals we hold are subject to periodic renewal. If we fail to renew one or more of our licenses and certificates when their current terms expire, or obtain such renewals in a timely manner, our operations could be disrupted. If we fail to properly renew any of such requisite licenses on time, we may face penalties. In addition, given the government regulations governing our business are evolving, it might become increasingly onerous for us to comply with such changes in regulation, and we may have to incur monetary expenses and divert substantial management time and resources to ensure compliance with such regulations. Any failure to do so may adversely affect our business, reputation, financial condition and results of operations.

Failure to make adequate contributions to various employee benefit plans as required by regulations may subject us to penalties.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in the PRC, and the relevant government authorities may examine whether an employer has participated in employee benefit plans and made full contributions as required. Employers who fail to pay or make full contributions as required may be subject to late payment fees, fines and/or other penalties. During the Track Record Period, we did not make full contribution to social insurance and the housing provident funds as required under PRC laws and regulations. Our Directors are of the view that the amount of shortfall and penalties was immaterial, and will not have a material adverse effect on our operations, financial condition and results of operations. During the Track Record Period, our Directors confirm that we had not received any notification from the relevant PRC authorities requiring us to pay any shortfall with respect to social insurance and housing provident funds or imposing any administrative penalties on us with respect to our social insurance and housing provident fund contributions, nor were we aware of any material employee complaints or involved in any material labor disputes with our employees with respect to social insurance and housing provident funds. If the relevant authorities order us to pay the outstanding social insurance and/or housing provident funds or take rectification measures in accordance with applicable laws and regulations, we will make such payments or make such rectification measures promptly as soon as practicable. Considering the relevant regulatory policies, regulatory confirmations or interviews and the facts as mentioned above, our PRC Legal Advisor is of the view that on the premise that no significant changes of the current policies and regulations, as well as implementation and supervision requirements of the local governments, (i) the risk of us being required by relevant PRC authorities to pay the material shortfall of social insurance and housing provident fund contributions is remote, and (ii) the risk of us subject to material administrative penalties for failing to make social insurance and housing provident funds in full is remote. We will proactively communicate with our employees and gradually increase the contributions to social insurance and housing provident funds in accordance with the relevant government requirements by [**REDACTED**].

Moreover, on July 31, 2025, the Supreme People's Court of the PRC issued the Interpretation II by the Supreme People's Court of the PRC on Legal Issues in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (the "**Interpretation**"), which takes effect from September 1, 2025. According to the Interpretation, any agreement between an employer and an employee or any commitment made by an employee to the employer that social insurance contributions are not required shall be deemed invalid by the people's court. Where an employer fails to pay social insurance contributions in accordance with the law and the employee requests to terminate the labor contract pursuant to Article 38, Paragraph 1, Item 3 of the Labor Contract Law and demands that the employer pay economic compensation, the people's court shall support such request in accordance with the law. As advised by our PRC Legal Advisor, the

Interpretation will not materially affect the our compliance status in fulfilling our payment obligations in respect of social insurance and housing provident funds, as (1) the interpretation is an interpretation of the specific application of existing laws, which only unifies adjudication criteria to eliminate inconsistent practice standards across different regions in the PRC, without amending existing laws and regulations or creating new legal rules; (2) the interpretation neither alters the rights and obligations of employers under the Social Insurance Law of the People's Republic of China, nor expands the scope and intensity of administrative penalties for employers' failure to pay social insurance contributions in full; (3) during the Track Record Period, we did not entered into any agreements that waived social insurance payment obligations with our employees or otherwise required our employees to make any such waiver; and (4) we have undertaken to make supplementary payments in a timely manner as required by the competent authorities upon receiving a notice ordering payment or supplementary payment within a time limit. However, there can be no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident funds will at all times satisfy the relevant regulatory requirements mainly due to the evolving interpretation and implementation of labor laws and regulations. In the event of any non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so.

Our business operations are subject to risks relating to ESG.

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations. There is an increasing focus on corporate responsibility and a number of regulations and requirements on ESG performance pose reputational, regulatory and other risks to us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint and maintain environmentally friendly business operations. The process of developing new manufacturing technologies and enhancing existing manufacturing technologies to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that may not be commercially successful in the time frames expected, or at all. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could adversely affect our competitiveness in the relevant market.

Compliance with these ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources, and failure to comply could subject us to, among other things, legal liability, fines, suspension of manufacturing, a loss of licenses to operate certain facilities and other sanctions, interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business and financial performance. If we are unable to satisfy such criteria or are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to invest in our competitors. Our brand and our reputation may be damaged in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity, and our business, reputation, financial condition and results of operations could be materially and adversely affected.

Our success depends largely on the continued service of our senior management personnel.

Much of our future success depends on the continued contributions of our senior management and key technical personnel, many of whom are difficult to replace. The continued successful management of our business is also, to a considerable extent, dependent on our senior management members who play vital roles in our operations. If one or more of our senior management members were unable or unwilling to continue to contribute their services, we may not be able to replace them in a timely manner, which may severely disrupt our business and affect our financial condition, results of operations and future prospects.

We may not be able to attract, train or retain our qualified personnel or sufficient workforce, which may severely disrupt our business, results of operation and future prospects.

Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel across our organization, particularly technical, marketing and other operational personnel with experience in the relevant industry. We believe our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems also depends on the hard work and quality of the performance of our management and employees at all levels.

Our industry is characterized by high demand and intense competition for talent and labor, while qualified individuals in the relevant industries are in short supply and competition for workers is intense. We intend to hire additional qualified employees to support our business operations and planned expansion. However, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Competition for qualified talent is intense and if we are unable to attract a large number of qualified employees and retain existing employees, our business and growth may be materially and adversely affected.

In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in a timely fashion, or at all. Rapid expansion may impair our ability to maintain our corporate culture. If we fail to attract, train or retain sufficient qualified personnel, our business operations, results of operations and future prospects may be severely disrupted.

We may be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, infringement of intellectual property rights, and environmental matters. If we fail in defending ourselves against any such claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us, or brought against us, with or without merit, may result in substantial costs and diversion of resources and may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies from our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs incurred as a result of such claims, disputes and legal proceedings.

Failure to deal effectively with fraudulent or illegal activities or misconduct by our employees would harm our business.

Illegal, fraudulent, corrupt or collusive activities or misconduct, whether actual or perceived, by our employees, could subject us to liabilities or negative publicity. Any illegal, fraudulent, corrupt or collusive activity, misconduct, or perception of conflicts of interest and rumors could severely damage our brand and reputation, even if they are baseless or satisfactorily addressed, which could drive our clients away from us, and materially and adversely affect our business, financial condition and results of operations.

We rely on various services from third-party providers for our business. If these third parties fail to provide reliable and timely services, our business, financial condition and results of operations may be adversely affected.

We rely on third-party service providers for various business functions, including the stable, timely, and appropriate supply of logistics services and utilities essential to our production processes. We obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner and the services provided by them may not be of satisfactory quality. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of their services, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or applicable laws and regulations, our reputation in the industry will be affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to production, quality control, inventory management, supply chain, sales and customer relations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be adversely affected.

Our Controlling Shareholders have substantial influence over us and the Controlling Shareholders' interests may not be aligned with the interests of our other Shareholders.

Immediately after the [**REDACTED**], our Controlling Shareholders will own in total [**REDACTED**]% of our issued share capital (assuming no exercise of the [**REDACTED**]). Our Controlling Shareholders will be in a position to exert significant influence over our affairs, and will be able to significantly influence the outcome of any Shareholders' resolution, irrespective of how other Shareholders may vote. The interests of our Controlling Shareholders may not necessarily be aligned with those of our independent Shareholders. Our Controlling Shareholders may cause us to take actions that are not in the interests of us or our other Shareholders. In the event that the interests of our Controlling Shareholders conflict with those of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholders.

Any investments or future acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We expect to evaluate and consider a wide array of investment and acquisition opportunities that we believe can extend and solidify our market position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- valuation risks, as we may not be able to accurately assess the fair value, business prospects, potential liabilities or future earnings of any acquisition or investment targets and may overpay for such acquisitions or investments;

- difficulties in integrating the acquired personnel, operations, brands and product portfolios into our operations and aligning different corporate cultures and management practices;

- uncertainties in achieving the expected benefits, synergies, growth opportunities, cost savings and operational efficiencies in connection with these acquisitions and investments;

- potential issues with technology, internal controls and financial reporting of the companies we acquire or invest in;

- disruptions of our ongoing business, distractions of the attention of our management and employees and increase of our expenses;

- loss of skilled professionals and established client relationships of the businesses we invest in or acquire;

- for investments over which we do not obtain management and operational control, lack of influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investments;

- new regulatory requirements and compliance risks that we become subject to as a result of investments or acquisitions in new industries or otherwise;

- actual or alleged misconduct or noncompliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;

- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;

- compliance matters including the anti-monopoly and competition laws, rules and regulations of the PRC and other countries in connection with any proposed investments and acquisitions;

- the risk that any of our pending or other future proposed investments or acquisitions does not close;

- the costs of identifying and consummating investments and acquisitions;

- the use of substantial amounts of cash and potentially dilutive issuances of equity securities; and

- the occurrence of significant amortization expenses for other intangible assets.

Any such negative developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

Higher labor costs may adversely affect our business, results of operations, financial condition and prospects.

Factors such as changes in minimum wage laws, labor market dynamics, or increased competition for skilled labor in the industry may lead to higher labor expenses. Such increases could exert upward pressure on the fees that we paid to our employees. Our ability to manage and mitigate the impact of rising labor costs through operational efficiencies, process improvements, or

technological innovations will also significantly influence our competitiveness and financial performance. However, there is no guarantee that we will succeed in effectively managing the impact of rising labor costs. Moreover, higher cost for labor might necessitate adjustments in selling prices, potentially making our products less competitive in the market. Attempts to pass on increased labor costs to customers through higher selling prices could result in reduced demand or market share loss.

Our insurance coverage may not be sufficient to cover all losses, which may increase our costs of operation.

We maintain a number of insurance policies to cover potential liabilities in our daily operations, such as property insurance, cargo insurance, employer liability insurance and public liability insurance. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate for all types of loss, damage and liability we may suffer in the future. For example, insurances covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business and operations may be materially and adversely affected by natural disasters, epidemics and pandemics.

Our business may be adversely affected by the occurrence of typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events especially in the areas where we operate. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome (SARS), Middle East respiratory syndrome, avian influenza or novel coronavirus disease (COVID-19), could disrupt our operations with respect to our supply chain, production, delivery and sales. Such events could decrease the demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to manufacture and deliver products to our customers in a timely manner, or to receive materials and equipment from our suppliers. Should major public health emergencies, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional requirements in freight, relevant policies affecting the movement of products between regions, delays in the ramp-up of the production capacity and disruptions in the operations of our suppliers. In the event of a natural disaster, we could incur significant losses, which could require substantial recovery time and result in significant expenditures in order to resume operations.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WE OPERATE

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in the jurisdictions that we operate could materially and adversely affect our business, financial condition, results of operations and prospects.

The majority of our business assets are located in China and the majority of our sales and revenue is currently derived from China. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies of the PRC and other jurisdictions that we operate could affect our business and financial condition. In recent years, the PRC government implemented a series of laws, regulations and policies with respect to, among other things, quality and safety control, and supervision and administration of companies in our industry. See "Regulatory Overview" for details. Laws, regulations and policies related to our industries will continue to undergo changes or adjustments, compliance to which may incur additional costs for us.

Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us.

Legal systems of the geographic markets where our business operates vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in the geographic markets where we operate and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may affect the growth of our industries and affect our business, financial condition and results of operations.

Regulations on currency exchange may influence our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

The conversion of Renminbi is subject to applicable laws and regulations in China. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, normally need to be approved by or be registered by the SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, financial conditions and results of operations, may be affected.

Non-PRC Holders of our H Shares may be subject to PRC income tax obligations.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and a non-PRC investor's jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have an establishment or place of business in the PRC if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅

函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉 讓股票所得繼續暫免徵收個人所得税的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance as to whether further implemented laws, regulations, or practices in the future would result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

If the PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

We may be subject to approval, filing or other regulatory requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

We may, from time to time, undertake capital raising activities, including offerings of equity or debt securities in the PRC or overseas markets. In connection with such activities, we may become subject to approval, filing, registration or other regulatory requirements imposed by the CSRC or other relevant PRC governmental authorities, particularly in light of evolving regulatory frameworks governing offshore listings and securities offerings by PRC-related entities. Any failure or delay in obtaining the necessary approvals or completing the required filings could materially and adversely affect our ability to access capital markets in a timely manner or on commercially favorable terms, which may in turn impact our funding strategy, expansion plans and overall financial condition.

You may experience difficulties in effecting service of legal process and enforcing judgments against us, our most Directors and senior management.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be complex for investors to effect service of process upon or to enforce judgments outside of Chinese mainland against us and most of our Directors and senior management outside China. A judgment of a court of another jurisdiction may be reciprocally

recognized or enforced in Chinese mainland only if the jurisdiction has a treaty with Chinese mainland or if the jurisdiction has been otherwise deemed by the courts of Chinese mainland to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, Chinese mainland is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in Chinese mainland of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People's Court promulgated the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of Chinese mainland or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of Chinese mainland or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2024 Arrangement**"), which became effective on January 29, 2024. The 2024 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in Chinese mainland and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

RISKS RELATING TO THE [REDACTED] AND THE [REDACTED]

There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop following the [REDACTED].

Prior to the [**REDACTED**], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [**REDACTED**]. The [**REDACTED**] range for our H Shares was the result of negotiations among us, the [**REDACTED**] and the [**REDACTED**] on behalf of the [**REDACTED**], and the [**REDACTED**] may differ significantly from the market price for our H Shares following the [**REDACTED**]. If an active public market for our H Shares does not develop following the completion of the [**REDACTED**], the market price and liquidity of our H Shares could be materially and adversely affected. The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our prospects, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

The liquidity, trading volume and market price of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers and customers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance but related to the overall political and economic conditions in Hong Kong, China or elsewhere in the world.

Future sales or perceived sales or conversion of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

Future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur could all cause a decline in the market price of our H Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future offerings, could also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

Although our existing shareholders are subject to restrictions on their sales of H Shares within 12 months from the [**REDACTED**] as described in "History, Reorganization and Corporate Structure," future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares upon the expiration of restrictions set out above.

We cannot assure you when, whether and in what form or size we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depends on various factors, including but not limited to our prospects, cash flows and financial position, operating and capital expenditure requirements, distributable profits, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form or size we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information—Dividend."

Certain facts, forecasts and other statistics obtained from official government sources contained in this Document may not be reliable in terms of accuracy, competence or reliance.

Certain facts, forecasts and other statistics contained in this Document relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot assure you of the accuracy or completeness of information obtained from these sources. We have not independently verified any of the data, forecasts and other statistics from such sources, nor have we ascertained that the underlying economic assumptions relied upon in those sources. The information from official government sources has not been independently verified by us or any other parties involved in the [**REDACTED**], or any of our or their respective directors, senior management, representatives, advisers or any other persons involved in the [**REDACTED**] and no representation is given as to its accuracy. Moreover, such facts, forecasts and other statistics may not be prepared on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. For these reasons, the information from various government publications contained in this Document may not be accurate and should not be given undue reliance as a basis for making your [**REDACTED**] in our H Shares.

You should read the entire Document carefully and should not rely on any information contained in press articles or other media relating to us, the [REDACTED] or the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us, the [**REDACTED**] and the [**REDACTED**]. Prior to the publication of this Document, there has been press and media coverage regarding us, our business, our industry and the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [**REDACTED**] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. Our Company, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of our and their respective directors, supervisors, officers, representatives, employees, advisors or any other persons or parties involved in the [**REDACTED**] make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, our Company, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of our and their respective directors, supervisors, officers, representatives, employees, advisors or any other persons or parties involved in the [**REDACTED**] disclaim responsibility for it, and you should not rely on such information.

Forward-looking statements contained in this Document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

In preparation for the [**REDACTED**], our Group has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Currently, both of our executive Directors reside in the PRC and for the future will not be ordinarily resident in Hong Kong. Since most of our Group's core business operations are based, managed and conducted outside of Hong Kong, our Group does not have, and in the foreseeable future will not have, a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver from compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives (the "**Authorized Representatives**"), Mr. Ni Wenjun (倪文軍), our non-executive Director and vice chairman of the Board, and Mr. Wong Wei Hua Derek (王煒華), our chief financial officer and company secretary, who will act as our Company's principal channel of communication with the Stock Exchange. Each of our Authorized Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email (where available). Each of our Authorized Representatives is authorized to communicate on our behalf with the Stock Exchange;

(b) both of our Authorized Representatives have means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time when required. Each of our Directors has provided his/her respective mobile phone numbers, office phone numbers, fax numbers and/or email addresses (where available) to our Authorized Representatives. In the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our Authorized Representatives or maintain an open line of communication via his/her mobile phone. Each of our Directors and Authorized Representatives has provided his/her mobile phone numbers, office phone numbers, fax numbers and/or email addresses (where available) to the Stock Exchange;

(c) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Asian Capital Limited as our compliance advisor (the "**Compliance Advisor**"), which shall have access at all times to our Authorized Representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our Authorized Representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. We will promptly inform the Stock Exchange of any changes of our Authorized Representatives and/or the Compliance Advisor.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules following the completion of the [**REDACTED**]. We have applied for, and the Stock Exchange [has granted], waivers from strict compliance with the announcement requirement or the announcement, circular and independent Shareholders' approval requirements (as the case may be) under the Listing Rules. For further details, see "Connected Transactions—Our Non-exempt Continuing Connected Transactions."

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Name	Address	Nationality
Executive Directors		
Mr. Xie Qiansen (謝前森)	A60, Feicuilongwan Yangming Street Yuyao, Zhejiang PRC	Chinese
Mr. Zhang Kouwen (張扣文)	Room 501, Building 7 Chunjianghuayue Jinxing Road Yuyao, Zhejiang PRC	Chinese
Non-executive Directors		
Mr. Wang Wenjie (王文杰)	Room 401 No. 160 Duyi Lane Yuyao, Zhejiang PRC	Chinese
Mr. Ni Wenjun (倪文軍)	D-36, Yuelongwan Jinxing West Road Yuyao, Zhejiang PRC	Chinese
Mr. Shao Yang Dong (邵仰東)	Room 1507, No. 169, Lane 1038 Huashan Road, Changning District Shanghai PRC	American
Independent non-executive Directors		
Ms. Wong Sau Pik (黃繡碧)	Room 2, 11/F, Block F Beverly Hill 6 Broadwood Road Happy Valley Hong Kong	Chinese (Hong Kong)
Mr. Wu Wenguang (武文光)	Room 102, No. 83, Lane 287 Gulong Road, Minhang District Shanghai PRC	Chinese
Mr. Bai Jian (白劍)	Room 501, Unit 1, Building 23 Zijinwenyuan Yuhangtang Road, Xihu District Hangzhou, Zhejiang PRC	Chinese

For further information regarding our Directors, see "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

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CITIC Securities (Hong Kong) Limited
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Hong Kong

[**REDACTED**]

Legal advisors to our Company

As to Hong Kong and U.S. laws:
Linklaters
11/F, Alexandra House
Chater Road
Central
Hong Kong

As to PRC laws:
Jingtian & Gongcheng
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Mall 77
Jianguo Road, Chaoyang District
Beijing
PRC

As to International Sanctions, U.S. outbound investment laws and U.S. tariffs:
Ashurst Perkins Coie Tokyo (Ashurst Perkins Coie Horitsu Jimusho Gaikokuho Kyodo Jigyo)
30/F, Shiroyama Trust
Tower 4-3-1 Toranomon
Minato-ku, Tokyo
Japan

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OVERVIEW OF VEHICLE OPTICAL SOLUTION INDUSTRY

Definition

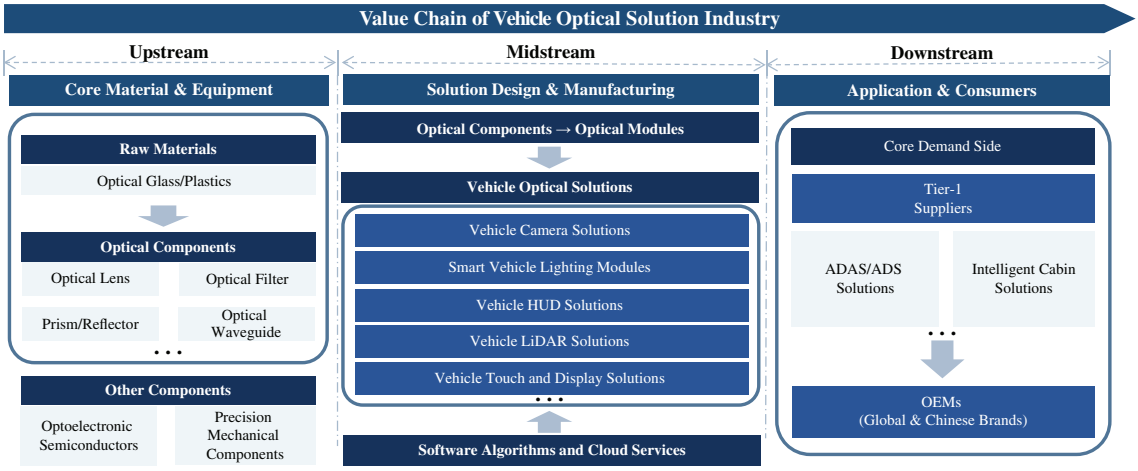
Vehicle optical solution refers to a systematic integration of product and service portfolios built within the intelligent vehicle system, with optical technology at its core, combined with electronic control, image processing, and perception algorithms. The value of this solution lies in empowering intelligent vehicles with two core functions: intelligent perception (achieving high-reliability perception and understanding of the external real world) and intelligent interaction (achieving clear, intuitive, and trustworthy information transmission and interaction between humans and vehicles). It includes vehicle camera solutions for intelligent perception and intelligent cabins, smart lighting solutions, HUD solutions, LiDAR solutions, and screen display solutions, among others. This solution is a complete system of software-hardware fusion and Opto-mechanical-electrical-algorithmic integration, dedicated to meeting stringent automotive-grade standards and requirements.

Value chain

The upstream sector comprises core optical components (e.g., Lenses), electronic components (e.g., CMOS Image Sensors, PCBA), and precision mechanical parts (e.g., Housing/Packaging). These components serve as the essential core building blocks for automotive-grade optical products.

The midstream sector is responsible for transforming upstream components into functional solutions. Vehicle optical solution providers utilize advanced optical design to integrate individual components into finished vehicle optical products. By further embedding software algorithms and providing cloud services, these providers deliver comprehensive, vertically integrated hardware-plus-software vehicle optical solutions.

The downstream sector entails the integration of optical solutions into the entire vehicle system, such as ADAS/ADS solutions and intelligent cabin solutions, to ultimately enable end-user functions. Key demand originates from Tier-1 suppliers and OEMs.



Source: F&S

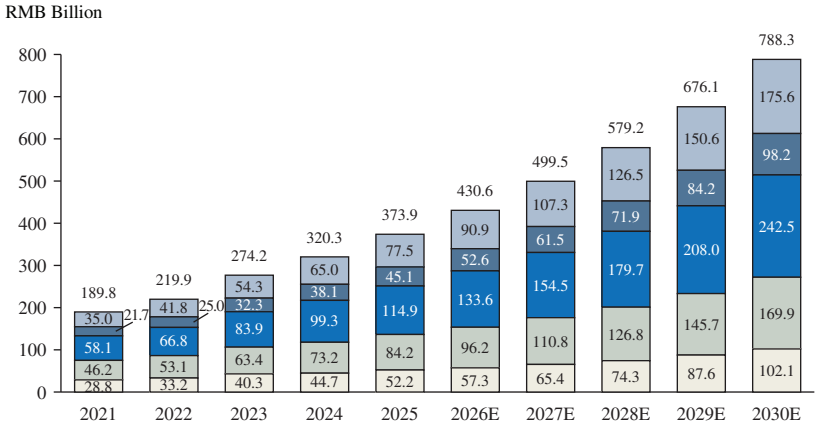
Market Size of Global Vehicle Optical Solution Industry

From 2021 to 2025, the global vehicle optical solution market size expanded from RMB189.8 billion to RMB373.9 billion, representing a CAGR of 18.5%. Regionally, the PRC market size demonstrated the most exceptional performance, surging from RMB35.0 billion to RMB77.5 billion with a CAGR of 22.0%, the highest growth rate globally. The Asia-Pacific market size (excluding PRC) grew from RMB21.7 billion to RMB45.1 billion at a CAGR of 20.1%. Meanwhile, the North American market size grew from RMB58.1 billion to RMB114.9 billion at a CAGR of 18.6%, and the European market size increased from RMB46.2 billion to RMB84.2 billion at a CAGR of 16.2%. Market size in other regions grew from RMB28.8 billion to RMB52.2 billion at a CAGR of 16.0%. This growth was primarily driven by the rising penetration of autonomous driving technology and the widespread adoption of intelligent perception and interaction.

Between 2025 and 2030, the global vehicle optical solution market size is expected to maintain its current momentum and is projected to rise from RMB373.9 billion to RMB788.3 billion, at a CAGR of 16.1%. The PRC market size will remain the primary growth engine, expected to reach RMB175.6 billion in 2030 at a CAGR of 17.8%. The Asia-Pacific market size (excluding PRC) is projected to reach RMB98.2 billion at a CAGR of 16.8%. The North American market size is forecasted to grow to RMB242.5 billion at a CAGR of 16.1%, while the European market size is expected to expand to RMB169.9 billion at a CAGR of 15.1%. Other regional market size is anticipated to reach RMB102.1 billion at a CAGR of 14.4%. The increasing demand from automakers for high-resolution, low-power, and integrated solutions will drive simultaneous expansion in core areas such as intelligent perception and human-machine interaction (HMI), further fostering the collaborative development of the upstream optical solution industries.

Market Size of Global Vehicle Optical Solution Industry, Breakdown by Regions, by Revenue, 2021-2030E

CAGR	2021-2025	2025-2030E
PRC	22.0%	17.8%
Asia-Pacific (Excluding the PRC)	20.1%	16.8%
North America	18.6%	16.1%
Europe	16.2%	15.1%
Others	16.0%	14.4%
Total	18.5%	16.1%

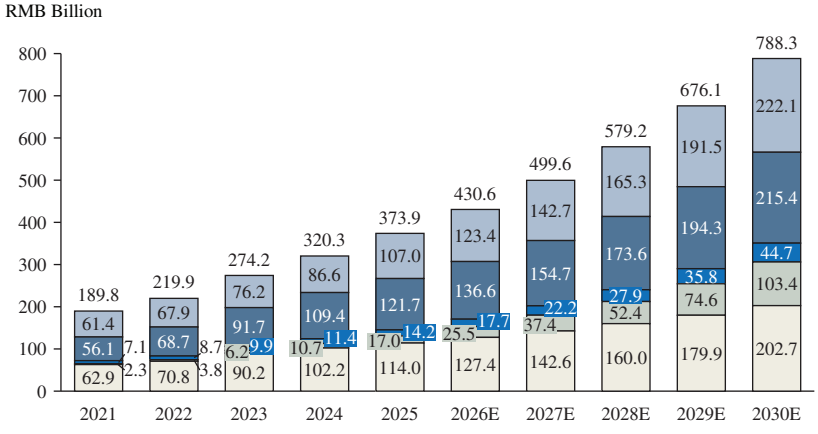


Note: The exchange rate used in the report is 1 US dollar = 7.14 RMB, according to the Chinese foreign exchange trading system.

Source: International Organization of Motor Vehicle Manufacturers (OICA), F&S

Market Size of Global Vehicle Optical Solution Industry, Breakdown by Technologies, by Revenue, 2021-2030E

CAGR	2021-2025	2025-2030E
Vehicle Camera Solution	14.9%	15.7%
Vehicle Lighting Solution	21.4%	12.1%
Vehicle HUD Solution	18.9%	25.8%
Vehicle LiDAR Solution	64.9%	43.5%
Vehicle Display Solution	16.0%	12.2%
Total	18.5%	16.1%



Note: The exchange rate used in the report is 1 USD = 7.14 RMB, according to the China Foreign Exchange Trading System.

Source: OICA, Frost & Sullivan

Future trends

Evolution into the Intelligent and Interactive Space

With the implementation of Software-Defined Vehicles (SDV) and centralized E/E architectures, the automobile is evolving from a "driving-centric transportation tool" into a connected, intelligent environment for work, entertainment and communication. This transformation is further accelerated by the rapid commercialization of Robotaxis and autonomous trucks, which redefine vehicles as either shared service hubs or high-efficiency productivity spaces. The core requirements of the intelligent and interactive space enhanced safety controllability, more immersive experiences, and more natural interaction. To achieve the goal of "understanding the environment and people better", the prerequisite is that the vehicle must obtain stable, high-quality visual data input. Consequently, vehicle optical solutions have become the key foundation. Simultaneously, data-driven methods such as world models and VLA are driving high-level autonomous driving from rule engineering toward large-scale data closed-loops. Training and validation rely more on the comparability and reproducibility of massive data, which necessitates that optical solutions maintain stability, consistency, verifiability, and traceability under complex conditions. Therefore, future vehicle optical solutions will continuously iterate to support the safety redundancy, immersive cabin experience, and human-machine trust construction required by the intelligent and interactive space.

Intelligent Perception & Interaction

The leading competitiveness of intelligent vehicles is evolving toward the integrated perception and interaction capability with vision as the core. On one hand, external perception emphasizes "interpreting the world"; the key lies not in the stacking of single sensors, but in full-domain coverage and fusion perception centered on multiple sensors, continuously improving the recognition accuracy of information outside the vehicle and maintaining stable input in complex situations. On the other hand, the intelligent cabin emphasizes "conveying trust"; when decisions are increasingly dominated by the system, the vehicle needs to present perception results, risk judgments, and intent expressions to drivers and passengers in a more intuitive way, such as achieving spatial alignment of navigation and hazard warnings through AR-HUD, or clearly communicating system status, handover requirements, and safety boundaries through smart lighting, thereby reducing misunderstanding and uncertainty. Therefore, the fusion of perception and interaction is driving vehicle optical hardware from "individual functional point configurations" toward "systemic configurations." Cameras are being upgraded from traditional auxiliary components such as reversing/surround-view into core information entries spanning front-view, side-view, rear-view, and in-cabin monitoring. Consequently, the single-vehicle configuration is evolving toward a multi-sensor distributed architecture and continues to improve, directly driving the simultaneous growth of the loading volume and value of vehicle optical products.

Opto-Mechanical-Electrical-Algorithmic Integration

As algorithms gradually move from single-point functional modules toward end-to-end and multimodal large models, the competition for vehicle optical solutions is upgrading from single hardware supply to a collaborative software-hardware integrated system. The industry-leading evolutionary path usually takes the algorithm and software platform as the core, integrating optics, precision structures, electronics, and computing capabilities into a system that can be implemented at scale: the front-end improves imaging clarity and consistency through better optical design and precision structures, ensuring stable output even in complex scenarios such as night, backlight, and rain or fog; the mid-end helps data achieve long-term reliability and traceability through electronic control and sensing links; the back-end involves the algorithm dividing work and collaborating

between edge and central computing power to complete perception and image enhancement, while achieving rapid reuse across vehicle models and platforms through unified interfaces and calibration frameworks. This software-hardware integrated system, with "stable and consistent visual input in complex scenarios + traceable data links + platform-based rapid reuse" as its core, supports both the safety redundancy requirements of intelligent driving and the comfort and reliability requirements of cabin interaction.

Overview of All Sensing Systems and Technologies Used for Driving Automation

Driving automation relies on a multi-modal sensing system primarily consisting of camera, LiDAR, millimeter-wave radar and ultrasonic radar, which differ in functions, strengths, limitations and supported autonomous driving levels. These sensors operate in a complementary and integrated manner through sensor fusion to ensure reliable environmental perception.

Camera provides high-resolution visual recognition for traffic signs, lane markings and objects at low cost, mainly supporting L2 to L3 ADAS functions. Its performance is vulnerable to lighting and weather conditions and cannot directly measure precise distances. LiDAR generates accurate 3D point clouds for obstacle detection and positioning, which is critical for L4 and L5 high-level autonomous driving. It is stable under varying light but remains costly and bulky. Millimeter-wave radar delivers long-range detection and speed measurement with strong anti-interference capability at moderate cost, supporting L2 to L3 adaptive cruise and emergency braking, though with low resolution. Ultrasonic radar enables low-cost short-range detection for parking assistance, suitable for L0 to L2 basic functions, with a limited effective range.

Core integration and sensor fusion are essential for reliable ADAS/AD systems, as dependence on any single sensor cannot ensure safe driving under real-world conditions. Modern autonomous vehicles use a three-layer fusion structure: the perception layer processes raw data separately from cameras, radar and LiDAR to identify images, speed and surrounding objects; the fusion layer aligns multi-source data to form a complete and consistent view of the environment; and the decision layer carries out path planning and vehicle control based on the integrated results. This layered structure improves system stability and safety, allowing the vehicle to continue operating reliably even if one sensor is blocked or impaired.

OVERVIEW OF VEHICLE CAMERA SOLUTION INDUSTRY

Definition

Vehicle camera solutions refer to the integration of optical lenses, image sensors, processing algorithms (ISP/AI), and system integration services to build a complete visual perception and interaction system for intelligent vehicles. Its core value lies in providing real-time visual data by capturing and processing environmental and in-cabin image information to support autonomous driving decisions or optimize the human-vehicle interaction experience. Vehicle camera solutions can be divided into two categories: sensing camera solutions and cabin camera solutions. Among them, sensing camera solutions primarily serve ADAS and intelligent driving systems, emphasizing target recognition, distance estimation, and motion perception of the external environment; they have high requirements for image sensor performance, algorithm adaptation, and system reliability. In contrast, cabin camera solutions focus on image display and in-cabin sensing applications, covering camera monitoring system (CMS), surround view, parking imaging, DMS, OMS, and other in-car monitoring scenarios, placing more emphasis on image quality, stability, and the human-vehicle interaction experience.

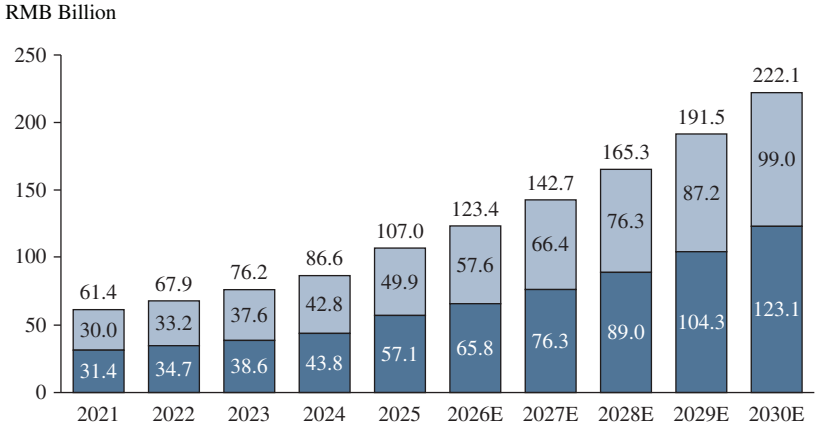
Market Size of Global Vehicle Camera Solution Industry

From 2021 to 2025, the global vehicle camera solution market size increased from RMB61.4 billion to RMB107.0 billion, representing a CAGR of 14.9%. From a segmented structure perspective, sensing camera solution market size grew from RMB30.0 billion to RMB49.9 billion, with a CAGR of 13.6%. This segment primarily covers application scenarios such as rearview, surround-view, side-view, DMS, and OMS, expanding steadily driven by rising installation rates and high-definition (HD) upgrades. The market size of cabin camera solutions increased from RMB31.4 billion to RMB57.1 billion, with a CAGR of 16.1%, which is more closely linked to the perception requirements of front-view ADAS and multi-camera fusion. Demand in this area is rising as intelligent driving functions trickle down to mid-range vehicle models. Overall, the two major segments remain relatively balanced in scale, with industry growth driven by intelligent driving penetration, an increase in the number of cameras per vehicle, and performance upgrades such as night vision, Wide Dynamic Range (WDR), and wide-angle capabilities.

It is expected that from 2025 to 2030, the global vehicle camera solution market size will grow to RMB222.1 billion in 2030, with a CAGR of 15.7%, a further acceleration compared to the previous stage. By segment, sensing camera solution market size is projected to increase to RMB99.0 billion, with a CAGR of 14.7%. The growth momentum stems mainly from the enhanced need for front-view and surround-view perception in higher-level autonomous driving, as well as the impact of multi-camera fusion on the quantity and specifications of front-end camera configurations. Cabin camera solution market size is expected to reach RMB123.1 billion, with a CAGR of 16.6%. This growth is driven by regulations and safety standards, the rising adoption of DMS and OMS, and increasing demand for in-vehicle interaction, while imaging functions like rearview and surround-view continue to become standard features. As high-pixel count, low-light imaging, and system-level integration become core competitive factors, the value of both segments is expected to rise further alongside specification upgrades and increased solution complexity.

Market Size of Global Vehicle Camera Solution Industry, Breakdown by Application, by Revenue, 2021-2030E

CAGR	2021-2025	2025-2030E
Sensing Solutions	13.6%	14.7%
Cabin Solutions	16.1%	16.6%
Total	14.9%	15.7%



Note: The exchange rate used in the report is 1 US dollar = 7.14 RMB, according to the Chinese foreign exchange trading system.

Source: International Organization of Motor Vehicle Manufacturers (OICA), F&S

Market Drivers

Booming Global Vehicle Market

The steady growth of the global vehicle market provides a vast strategic hinterland for vehicle camera solutions, with China serving as a core bastion and the primary engine driving this expansion. In recent years, global vehicle sales have continued to climb, reaching 95.6 million units in 2025. NEVs have emerged as the core growth pole, with sales surpassing 23.4 million units as market penetration steadily increases. This massive market base, compounded by the trends of vehicle intelligence and connectivity, has directly expanded the foundational demand for vehicle camera installations. Market data indicates that global NEV penetration has surged from 8.2% in 2021 to 24.5% in 2025, with projections reaching 50.7% by 2030. High-pixel, high-performance camera solutions precisely align with the advanced perception requirements of NEVs. Consequently, as NEV penetration rises, the industry is witnessing a continuous expansion of market share. In 2025, the average camera count per global NEV reached 5.0 units, significantly exceeding the average of 2.2 units found in traditional Internal Combustion Engine (ICE) vehicles.

Advancement of Vehicle Intelligence

The acceleration of vehicle intelligence, particularly the integration of sensing and cabin systems, is driving the transformation of vehicle camera solutions from basic quantity coverage toward high-level performance enhancement. In the field of intelligent sensing, autonomous driving technology is breaking through from L2 toward L3 and above. The global penetration rate of L2-level assisted driving in the passenger vehicle incremental market has risen from 21.3% in 2021 to 36.4% in 2025, and is expected to reach 45.9% in 2030; meanwhile, L3 and higher-level autonomous driving are beginning to take shape, with the industry predicting a penetration rate of approximately 2.6% in 2025 and expecting it to rise to approximately 9.2% in 2030. Against the backdrop of significantly increased perception requirements for high-level autonomous driving, vehicle cameras are accelerating their evolution toward high resolution, high dynamic range, and low-light performance to support more stable algorithmic inputs. In cabin systems, the popularization of DMS and OMS further expands the application boundaries of in-cabin vision, extending it from basic monitoring to functions such as identity recognition, attention and state recognition, and health and safety-related alerts, driving simultaneous improvements in cabin interaction across dimensions of safety and comfort. Consequently, single-vehicle camera configurations are gradually upgrading from a small number of traditional functional configurations to a distributed vision architecture covering multiple scenarios such as front-view, side-view, rear-view, surround-view, and in-cabin. The number of cameras per vehicle is expected to increase from 3-5 units in 2025 to 8-12 units in 2030, forming large-scale demand growth.

Continuous Breakthroughs in Optical Technology

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. In terms of optical design, Glass-Plastic Hybrid (GPH) lens architectures optimize cost and lightweight performance while improving image quality. The application of technologies such as automotive-grade Variable Aperture and Spatial Frequency Response (SFR) clarity assurance further enhances product adaptability in complex scenarios. In the manufacturing domain, technologies like All-in-One high-precision housing assembly have significantly improved production efficiency, yield, and structural reliability. These core breakthroughs have birthed innovative products such as ultra-high-definition lenses and active defogging e-Mirror cameras, forming a differentiated competitive advantage while facilitating cost down through technical optimization. This allows products to penetrate mid-to-low-end vehicle segments, broadening overall market coverage.

Policy and Regulatory Drivers

Government vehicle safety standards and industrial support policies issued worldwide have provided a guarantee and a favorable environment for the popularization of vehicle camera solutions. In terms of safety regulations, mandatory standards have become a "rigid demand" engine for the growth of installation volume: the European General Safety Regulation (GSR) and the new NHTSA regulation in the United States regarding the mandatory standard configuration of AEB (Autonomous Emergency Braking) by 2029, coordinated with China's C-NCAP evaluation system, have significantly increased the requirements for active safety functions, directly driving a significant increase in the installation rate of vehicle cameras as core perception units. Specifically, the implementation of mandatory functions such as Automatic Emergency Braking (AEB), Lane Departure Warning (LDW), Lane Keeping Assist (LKA), Driver Monitoring Systems (DMS), Blind Spot Detection (BSD), and other Advanced Driver Assistance Systems (ADAS) requires vehicles to continuously perceive surrounding road conditions, lane markings, pedestrians, vehicles, and driver status in real time. Vehicle cameras serve as the core front-end sensing hardware for these functions by enabling image acquisition, object recognition, distance measurement, and environmental perception capabilities. As a result, the tightening of vehicle safety regulations has directly led to higher single-vehicle camera configuration requirements, accelerating the transition from single-camera solutions to multi-camera integrated perception systems, including front-view, surroundview, rear-view, and in-cabin monitoring cameras. In addition, increasingly stringent assessment requirements under safety evaluation frameworks such as Euro NCAP and C-NCAP have further encouraged automakers to improve ADAS performance ratings, thereby promoting the adoption of higher-resolution, high-dynamic-range, and more reliable vehicle vision camera solutions. Relying on the collaborative empowerment of multiple policies, in 2023, four departments (the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Housing and Urban-Rural Development, and the Ministry of Transport) jointly issued the "Notice on Carrying out Pilot Work for Intelligent Connected Vehicle Access and On-road Communication," laying the core policy foundation for the compliant road use of high-level intelligent driving vehicles; in 2025, the General Office of the State Council issued the "Implementation Opinions on Accelerating Scenario Cultivation and Opening to Promote Large-scale Application of New Scenarios," providing policy support for the full opening of intelligent driving application scenarios, marking the official transition of the industry from "limited area pilots" to a new stage of "full-space scenario exploration"; in the same year, the first batch of domestic L3-level autonomous driving model certifications was officially implemented and issued. This milestone event further marks that intelligent connected vehicles have officially moved from the assisted driving stage to a substantive development stage of high-level autonomous driving. These policies have driven the large-scale configuration demand in the market for high-resolution, high-dynamic-range vehicle vision cameras.

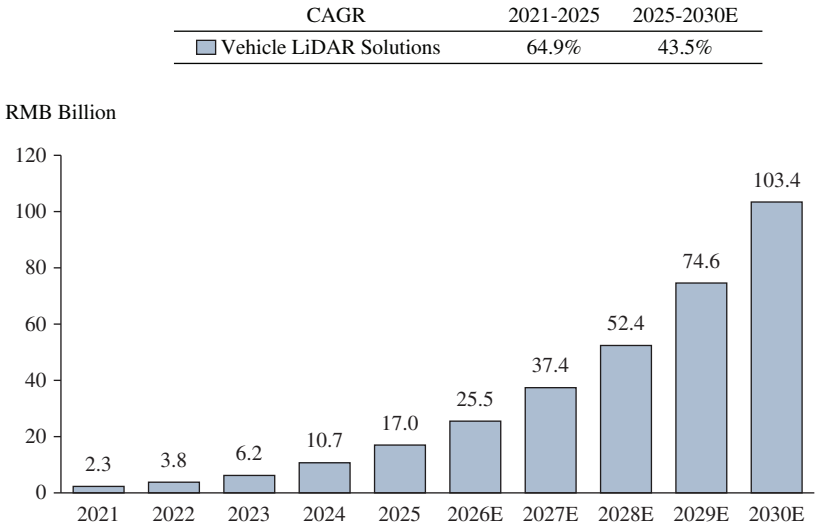
OVERVIEW OF OTHER VEHICLE OPTICAL SOLUTION INDUSTRY

Market Size of Global Vehicle LiDAR Solution Industry

From 2021 to 2025, the global vehicle LiDAR solution market rapidly expanded from RMB2.3 billion to RMB17.0 billion, representing a CAGR of 64.9%. This stage primarily occupied the initial period transitioning from pilot verification to early mass production; although the market size remained small, growth was extremely rapid. LiDAR has been gradually shifting from experimental technology to front-mounted mass production applications, particularly in high-end autonomous driving models, to supplement the perception blind spots of cameras and millimeter-wave radars. The Chinese market achieved a breakthrough in front-loading penetration starting in 2023, with numerous automakers launching models equipped with LiDAR, propelling the overall industry from "solution verification" to "commercial deployment."

The global vehicle LiDAR solution market is expected to grow from RMB17.0 billion to RMB103.4 billion between 2025 and 2030, with a CAGR of 43.5%. With the implementation of L3 and above autonomous driving, LiDAR will become an essential sensing unit for achieving high-precision environmental perception. In the coming years, adoption is expected to penetrate down from high-end models to the mid-range market, driving an increase in the number of units per vehicle and the optimization of cost structures. The industry is currently in a transition from "performance competition" to "cost and integration competition". By 2030, vehicle LiDAR is expected to evolve from an emerging feature into a key standard component of intelligent driving systems.

Market Size of Global Vehicle LiDAR Solution Industry, by Revenue, 2021-2030E



Note: The exchange rate used in the report is 1 US dollar = 7.14 RMB, according to the Chinese foreign exchange trading system.

Source: International Organization of Motor Vehicle Manufacturers (OICA), F&S

Market Drivers of Vehicle LiDAR Solution Industry

Perception Requirement Upgrades for High-Level Autonomous Driving

With the popularization of intelligent driving, systems are placing higher requirements on long-range detection, 3D reconstruction, and complex operating conditions. Consequently, the industry is gradually introducing "Vision + LiDAR" multi-sensor fusion solutions to enhance safety redundancy in scenarios such as nighttime, backlight, and dense clusters of complex traffic participants. In terms of installation configuration, the LiDAR deployment on mass-produced passenger vehicles is evolving from single-point forward-facing configurations toward multi-point distributed layouts. The coverage area is extending from forward long-range detection to near-range blind-spot filling around the vehicle body, aimed at improving the integrity of 3D environmental modeling and reducing perception uncertainty.

Rising Supply Chain Thresholds and Solution Innovation

The mass-production of automotive-grade LiDAR must overcome high thresholds for automotive-grade reliability, environmental adaptability, and long-term stability. OEMs demand more than just standard certifications like IATF 16949; they prioritize robust performance under extreme weather conditions. This has prompted suppliers to innovate in system designs such as transceivers and scanning products, ensuring the all-weather reliability of LiDAR in harsh operating environments.

Economies of Scale and Domestic Supply Chain Substitution

While enhancing intelligent driving capabilities, OEMs have increased their requirements for single-vehicle costs and supply stability. As the installation scale expands, the procurement bargaining power and economies of scale for LiDAR have driven down unit costs; meanwhile, the localization of the supply chain for key components, manufacturing processes, and local delivery systems has further reduced comprehensive costs, shortened delivery cycles, and enhanced rapid iteration capabilities.

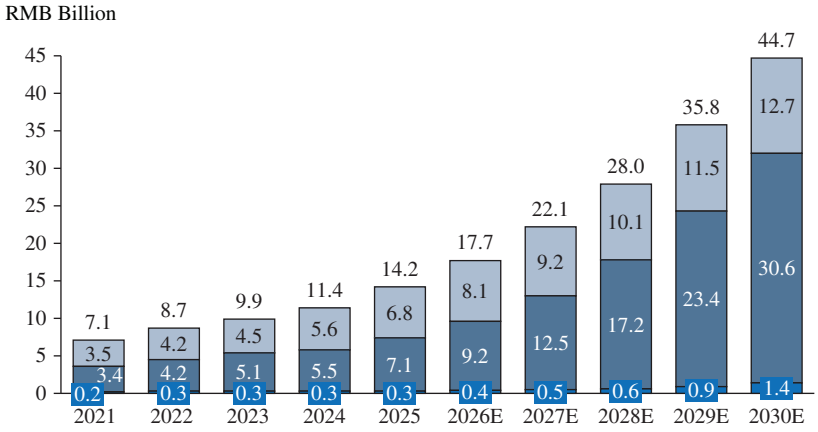
Market Size of Global Vehicle HUD Solution Industry

From 2021 to 2025, the global vehicle HUD solution market grew from RMB7.1 billion to RMB14.2 billion, representing a CAGR of 18.9%. Within this market, the AR-HUD (Augmented Reality Head-Up Display) market size increased from RMB3.4 billion to approximately RMB7.1 billion, with a compound annual growth rate (CAGR) of 19.7%. Its increasing share reflects the growing demand from OEMs for immersive displays in scenarios such as navigation visualization and ADAS information fusion. During the same period, the W-HUD (Windshield Head-Up Display) market grew from RMB3.5 billion to approximately RMB 6.8 billion, with a CAGR of 18.6% from 2021 to 2025, primarily benefiting from its high maturity and controllable costs, leading to continuous penetration in mainstream vehicle models. Other HUD formats accounted for a minimal share at this stage, primarily including the early C-HUD (Combiner HUD) and a small number of P-HUD (Panoramic HUD) solutions. While C-HUD saw sporadic application in some entry-level models, it has been significantly marginalized overall.

Looking ahead, the global vehicle HUD solution market is expected to grow from RMB14.2 billion to RMB44.7 billion between 2025 and 2030, with a CAGR of 25.8%. From a segmentation perspective, ARHUD will emerge as the most critical growth engine, with its market size projected to expand from RMB7.1 billion to approximately RMB30.6 billion, representing a CAGR of 34.0% from 2025 to 2030. Its advantages in wide-field-of-view projection, multi-layer information overlay, and synergy with intelligent driving systems will continue to be realized. The market size of W-HUD is expected to reach approximately RMB12.7 billion from RMB6.8 billion, with a CAGR of 13.3%, showing steady growth but a gradual decline in total market share. Other HUD formats will remain in a small-scale stage; C-HUD's market share will continue to shrink as it withdraws from mainstream configurations, while P-HUD, as a potential new projection solution, remains in the technical verification and local application phase. Overall, the HUD product structure is shifting from a W-HUD focus toward AR-HUD, and the industry is accelerating its evolution toward high-value and system-integrated solutions.

Market Size of Global Vehicle HUD Solution Industry, Breakdown by Projection Method, by Revenue, 2021-2030E

CAGR	2021-2025	2025-2030E
W-HUD	18.6%	13.3%
AR-HUD	19.7%	34.0%
Others	6.7%	36.7%
Total	18.9%	25.8%



Note:

1) The exchange rate used in the report is 1 US dollar = 7.14 RMB, according to the Chinese foreign exchange trading system.

2) Others include C-HUD and P-HUD

Source: International Organization of Motor Vehicle Manufacturers (OICA), F&S

Market Drivers of Vehicle HUD Solution Industry

Evolution of Intelligent Cabin Solutions

Within the macro-trend of Intelligent Cabin expansion, the role of the HUD has evolved from a simple "information readout" to a critical hub for cabin interaction and emotional experience, leading to a profound redefinition of its value. Moving beyond a mere replacement for traditional instrument clusters, the HUD now integrates in-cabin perception data with lifestyle service information, translating them into low-latency, intuitive visual feedback. This necessitates better image processing and real-time rendering capabilities to support dynamic Cabin HMI interactions, positioning the HUD as a core lever for OEMs to cultivate a unique competitive edge in the intelligent and interactive space.

Rising Demand for High-Performance AR-HUD

Massive environmental perception information (such as lane lines, navigation, and obstacles) needs to be transmitted to the driver in a more efficient and less distracting way. AR-HUD has become the ideal form for achieving this goal by integrating virtual information with real-world road scenes. From the perspective of installation progress, AR-HUD is currently applied mainly in high-end models, with a penetration rate of only 6.5%; it is expected that by 2030, its penetration rate will increase to over 21.2%, with a compound annual growth rate of the penetration rate of approximately 34.0% during this period, reflecting accelerated penetration and space for large-scale expansion. Meanwhile, AR-HUD is developing toward a large FOV, long Virtual Image Distance (VID), and cinema-grade immersion, which places extremely high requirements on the performance of its core imaging component, the PGU.

Supply Chain Maturity and Cost Reduction

The accelerated penetration of HUD solutions across a broader range of vehicle segments is fundamentally driven by the continuous cost optimization of core components and the maturation of the global supply chain. The increasing maturity and scaled production capacities of diverse technological pathways, specifically TFT, DLP, and LCoS, directly dictate the overall cost reduction of HUD systems and the expansion of their performance boundaries.

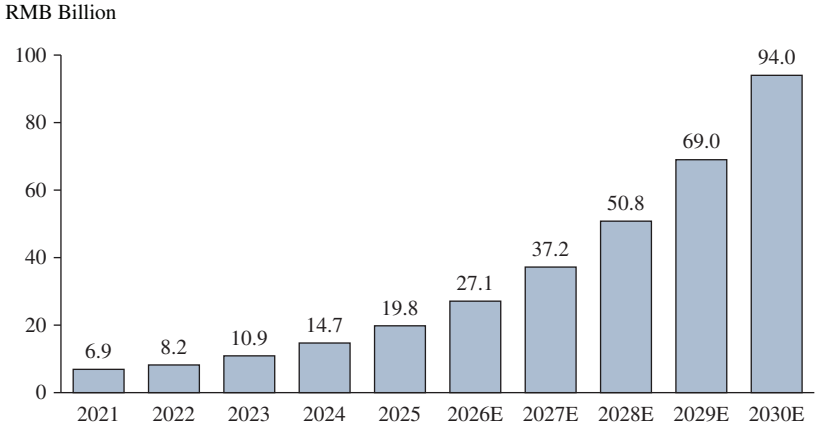
Market Size of Global Smart Vehicle Lighting Solution Industry

From 2021 to 2025, the global smart vehicle lighting solution market size increased from RMB6.9 billion to RMB19.8 billion, representing a CAGR of 30.0%. This growth was primarily driven by the continuous rise in LED penetration and the intelligent upgrading of vehicle lighting systems. The popularization of technologies such as Adaptive Driving Beam (ADB), matrix LED, and dynamic projection lights has propelled the evolution of vehicle lights from traditional illumination to intelligent control and human-vehicle interaction. Before 2022, growth remained relatively moderate due to macro-environmental factors and supply chain disruptions. However, since 2023, the market for smart vehicle lighting solutions has expanded rapidly, bolstered by the increasing penetration of new energy vehicles (NEVs) and high-end models.

Looking ahead, the global smart vehicle lighting solution market is expected to grow from RMB19.8 billion in 2025 to RMB94.0 billion by 2030, with a CAGR of 36.5%. This expansion will be fueled by the rising proportion of NEVs and intelligent driving models, leading to the accelerated adoption of intelligent headlamps and interactive lighting systems. In the future, smart vehicle lighting will further integrate with perception and display systems, becoming a vital component of the vehicle's overall perception and interaction framework. The industry will evolve toward high integration, intelligent perception, and the seamless fusion of human-machine interaction.

Market Size of Global Smart Vehicle Lighting Solution Industry, by Revenue, 2021-2030E

CAGR	2021-2025	2025-2030E
Smart Vehicle Lighting Solutions	30.0%	36.5%



Note: The exchange rate used in the report is 1 US dollar = 7.14 RMB, according to the Chinese foreign exchange trading system.

Source: International Organization of Motor Vehicle Manufacturers (OICA), F&S

Market Drivers of Smart Vehicle Lighting Solution Industry

Lighting Technology Iteration and Intelligent Function Integration

To meet consumer demands for safety, personalization, and interactive experiences, OEMs are continuously driving disruptive innovations in vehicle lighting technology. Smart lighting is upgrading from static light sources into programmable terminals. Its core lies in achieving advanced functions such as dynamic beam adjustment, adaptive lighting, and road projection through high-precision optical design and electronic control. Based on these functions, the role of vehicle lighting has extended from unidirectionally "illuminating the road" to a medium for interaction between the vehicle and the outside world. By conveying intentions to pedestrians and surrounding vehicles through projection prompts, dynamic light signatures, and adaptive beam patterns, it not only enhances driving safety in various scenarios but also serves as a key means for OEMs to build brand technology labels through differentiated styling and interactive design, continuously driving the increase of product added value.

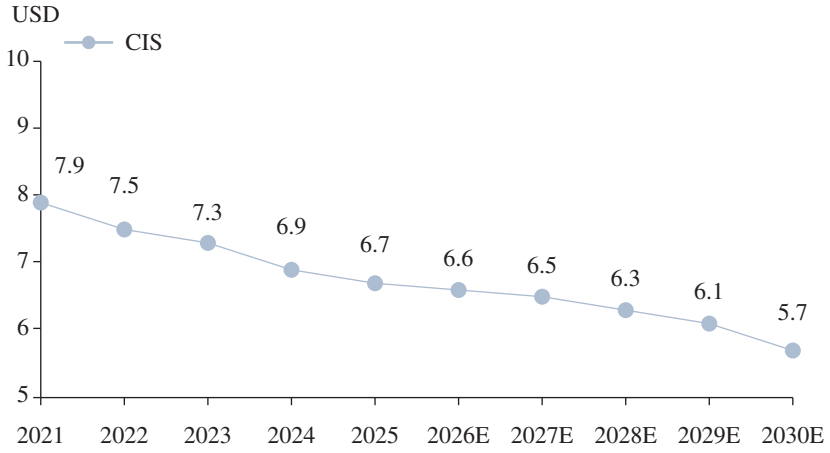
Performance Advantages and Value Enhancement of Smart Vehicle Lighting

Compared to traditional lighting systems, smart vehicle lighting offers significant advantages in functional scalability. Its integration with vehicle sensors and autonomous driving systems transforms lighting into a critical medium for Exterior Interaction, enhancing driving safety while enriching human-vehicle engagement. Consequently, smart vehicle lighting is experiencing accelerated penetration in mid-to-high-end vehicle models. The heightened technical complexity and inherent premium of these systems are directly propelling the growth of the Content per Vehicle (CPV) for vehicle lighting systems.

Main Cost Analysis of Vehicle Camera Solutions

The cost structure of vehicle camera solutions exhibits a distinct tiered distribution, with electronic components accounting for the highest proportion at roughly 55%, within which the CIS holds a dominant position as the core component responsible for image acquisition and processing. Based on average market procurement prices, the cost of CIS decreased from USD7.9 in 2021 to USD6.7 in 2025. Driven by the expansion of production scale, localized technological progress, and intensified market competition, the average selling price of vehicle camera hardware has shown a downward trend over the past few years.

Main Cost Analysis of Vehicle Camera Solutions, 2021-2030E



Source: F&S

COMPETITIVE LANDSCAPE

Rankings

1. Ranking of Global Vehicle Camera Solution Companies, by Market Share Measured by Revenue (2025)

Ranking	Company	Market Share in Global Vehicle Camera Solution Industry, 2025
1	Company A[1]	11.3%
2	Company B[2]	9.8%
3	Company C[3]	7.8%
4	Company D[4]	7.0%
5	Company E[5]	6.7%
	Top 5 Subtotal	**42.6%**
6	***The Company***	***6.4%***

Notes:

(1) Headquartered in Germany and founded in 1886, it is one of the world's largest vehicle supplier providing advanced LiDAR, multi-purpose cameras, and radar-vision fusion solutions for intelligent driving.

(2) Headquartered in France and founded in 1923, it is a global leader in ADAS and the first supplier to mass-produce automotive-grade LiDAR for high-level autonomous driving.

(3) Headquartered in Canada and founded in 1957, it is a top-tier global supplier offering integrated vision systems, digital rearview mirrors, and comprehensive ADAS perception solutions.

(4) Headquartered in Hanover, Germany and founded in 1871, it is a leading global automotive technology supplier with a broad portfolio of vehicle camera and imaging solutions supporting ADAS and occupant monitoring, including combined roadfacing and in-cabin camera systems that enhance safe handover in automated driving.

(5) Headquartered in Germany and founded in 1915, it is a top global vehicle supplier, offering advanced LiDAR, multi-purpose cameras and radar-vision fusion solutions for intelligent driving.

(6) The Company ranked first globally in terms of shipment from vehicle camera products, with a market share of 20.1%.

Source: Annual reports, F&S

2. Ranking of Global Vehicle Sensing Camera Solution Companies, by Market Share Measured by the Revenue (2025)

Ranking	Company	Market Share in Global Vehicle Sensing Camera Solution Industry, 2025
1	Company B	12.9%
2	Company A	12.0%
3	***The Company***	***9.4%***
4	Company E	8.6%
5	Company C	8.0%
	Top 5 Subtotal	**50.9%**

Source: Annual reports, F&S

Note:

(1) The Company ranked first globally in terms of shipment from vehicle sensing camera products, with a market share of 20.6%.

3. Ranking of Global Vehicle Cabin Camera Solution Companies, by Market Share Measured by the Revenue (2025)

Ranking	Company	Market Share in Global Vehicle Cabin Camera Solution Industry, 2025
1	Company A	10.7%
2	Company D	8.1%
3	Company C	7.7%
4	Company B	7.0%
5	Company F[1]	5.3%
	Top 5 Subtotal	**38.8%**
8	***The Company***	***4.3%***

Source: Annual reports, F&S

Notes:

(1) Headquartered in the PRC and founded in 1986, it is a leading provider of intelligent cockpit and autonomous driving solutions, offering integrated systems that include multi-sensor fusion, camera modules, and high-performance computing platforms.

(2) The Company ranked first globally in terms of shipment from vehicle cabin camera products, with a market share of 19.5%.

The Competitive Landscape of Other Vehicle Optical Solutions

The competitive landscape of other vehicle optical solutions, including LiDAR, HUD, and Smart Lighting, is currently characterized by a high degree of fragmentation as these industries remain in their relatively early stages of market penetration. The ecosystem features a diverse array of participants, ranging from specialized technology startups and traditional Tier-1 suppliers to vertically integrating OEMs. Due to the lack of established market dominance, the competitive field is characterized by intense technological rivalry and diverse architectural approaches. Moving forward, the market is expected to undergo consolidation, where enterprises possessing better opto-mechatronic-algorithmic integration capabilities, superior cost-control through economies of scale, and stronger ecosystem partnerships are projected to capture a dominant share of the global market.

Entry Barriers

Technical Barrier

Vehicle optical solutions are required to meet stringent automotive-grade technical and manufacturing process standards, forming significant technical barriers, which are mainly reflected in three aspects. First is optical design capability: structural design and material selection must be tailored to extreme operating conditions such as high and low temperatures, intense vibrations, sand, dust, rain and snow. Second is precision manufacturing processes, including coating, key optical component processing and high-precision assembly and adjustment. Third is the full-cycle reliability verification and simulation system. The development of vehicle optical products is not a single testing phase, but requires the establishment of a simulation design and verification system covering the entire lifecycle from R&D and product development to large-scale mass production. Leading enterprises have established patent portfolios and mature process systems, and new entrants cannot break through core technical and process bottlenecks in the short term.

Qualification Barrier

The vehicle industry is characterized by exceptionally high entry thresholds, primarily due to prolonged and stringent certification cycles that present significant hurdles for new entrants. Vehicle optical products are categorized as critical safety components, necessitating compliance with the industry's highest quality assurance standards (such as IATF 16949 and ISO 26262). Navigating these rigorous auditing and validation processes typically requires several years of intensive technical refinement.

Customer Barrier

Established suppliers benefit from formidable customer barriers forged through long-term strategic alignment with Tier-1 suppliers and OEMs. Top-tier suppliers often secure their market position by engaging in joint pre-research and development (R&D) cycles, where they collaborate with customers to define the parameters of next-generation optical solutions years before mass production. This "deep-bonding" mechanism makes it exceedingly difficult for new entrants to displace incumbent suppliers in flagship vehicle programs.

Capital Barrier

The vehicle optical solutions industry requires continuous high capital investment, placing significant financial pressure on new entrants. On one hand, the proportion of R&D investment remains consistently high, necessitating the long-term retention of professional technical teams. On the other hand, the cost of building automotive-grade production capacity is substantial (including clean rooms, high-precision manufacturing equipment, etc.). Initial investment scales will be even larger if production capacity is deployed across multiple regions.

SOURCE OF INFORMATION

In connection with the [**REDACTED**], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare a market research report on the vehicle optical solution industry. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the U.S. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. The agreed fee paid to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report is RMB500,000. The payment of such amount was not contingent upon our successful [**REDACTED**] or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other market research report in connection with the [**REDACTED**]. We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the vehicle optical solution industry. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the vehicle optical solution industry.

In preparing the Frost & Sullivan Report, Frost & Sullivan has relied on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices, and other relevant information. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct, and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the vehicle optical solution industry. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: (i) the economy in the global range is likely to maintain stable growth in the next decade, and (ii) the vehicle optical solution industry is expected to grow based on the macroeconomic assumptions of the economy. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report.

THE PRC LAWS, REGULATIONS AND POLICIES

This section provides an overview of the main Chinese laws, regulations, and policies related to the Company's current day-to-day business operations within China.

Relevant Policies in the Field of Intelligent Automotive Optech Products

On 1 July 2015, the State Council issued the Guiding Opinions on Actively Promoting the "Internet Plus" Action (《關於積極推進"互聯網+"行動的指導意見》). The opinions point out that efforts should be made to promote the establishment of cross-sector innovation platforms between automobile enterprises and internet enterprises, and accelerate the research, development, and application of technological products such as intelligent assisted driving, complex environment perception, and in-vehicle intelligent devices. The Opinions further support security enterprises and internet enterprises to cooperate, develop and promote big data analysis technologies like precise image recognition, and enhance the intelligent service level of security products.

On 30 December 2016, the Ministry of Industry and Information Technology and the National Development and Reform Commission issued the Information Industry Development Guide (《信息產業發展指南》). The Guide calls for the development of smart hardware products such as smart wearables, in-vehicle devices, smart furniture, medical health devices, service robots, and drones; support the development of core components like core chips, display devices, optical components, and sensors, and encourage to accelerate the development of core technologies such as virtual reality modeling and simulation, augmented reality and human-computer interaction, integrated environments, and tools.

On 10 February 2020, the National Development and Reform Commission, the Office of the Central Cyberspace Affairs Commission, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Housing and Urban-Rural Development, the Ministry of Transport, the Ministry of Commerce, and the State Administration for Market Regulation jointly issued the Strategies for the Innovative Development of Intelligent Vehicles (《智能汽車創新發展戰略》). The Strategies seek to enhance the core competitiveness of the industry, promote the R&D and industrialization of products such as high-precision in-vehicle sensors, automotive-grade chips, intelligent operating systems, in-vehicle smart terminals, and intelligent computing platforms, and build industrial clusters for key smart vehicle components.

On 29 December 2022, the national standard Motor vehicles — Devices for indirect vision — Requirements of performance and installation (GB 15084-2022) (《機動車輛間接視野裝置性能和安裝要求(GB 15084-2022)》) was officially released and will come into effect on 1 July 2023. Vehicles equipped with CMS in China are permitted to be legally mass-produced and put on the road starting from 1 July 2023.

Laws and Regulations Relating to Companies and Foreign Investment

Laws and Regulations Relating to Companies

The Company Law of the People's Republic of China (《中華人民共和國公司法》) was promulgated by the Standing Committee of the National People's Congress ("SCNPC") on 29 December 1993, and came into effect on 1 July 1994. It was most recently revised on 29 December 2023, and became effective on 1 July 2024. According to the Company Law, companies are generally classified into two types: limited liability companies and joint stock limited companies. The main revisions in the latest Company Law, effective on 1 July 2024, include improving the system for company establishment and exit, optimizing the corporate governance structure, refining the company capital system, strengthening the responsibilities of controlling shareholders and senior management personnel, and enhancing corporate social responsibility, among others.

Laws and Regulations Relating to Foreign Investment

Investment activities by foreign investors in China are primarily governed by the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) ("Catalog"), and the Special Administrative Measures for Foreign Investment Access (Negative List) (《外商投資准入特別管理措施(負面清單)》) ("Negative List"), issued and revised from time to time by the Ministry of Commerce and the National Development and Reform Commission ("NDRC"), and the Foreign Investment Law of the People's Republic of China ("Foreign Investment Law"), along with its implementing rules and subsidiary regulations.

The Foreign Investment Law was promulgated by the National People's Congress ("NPC") on 15 March 2019, and became effective on 1 January 2020. The Law replaced China's three then-existing foreign investment laws: the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), and the Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》). The Foreign Investment Law establishes a basic framework for foreign investment access, promotion, protection, and supervision through legislation to protect investment and ensure fair competition. According to the Foreign Investment Law, foreign investment should enjoy pre-establishment national treatment, with the exception of foreign investments in industries deemed "restricted" or "prohibited" from operating in the Negative List issued and approved by the State Council. To ensure the effective implementation of the Foreign Investment Law, the Implementation Rules to the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) ("Implementation Rules") was promulgated by the State Council in December 2019 and came into effect on 1 January 2020. These rules further clarify that China encourages and promotes foreign investment, protects the legitimate rights and interests of foreign investors, standardizes foreign investment management, continuously optimizes the foreign investment environment, and drives a higher level of opening up.

The NDRC and the Ministry of Commerce jointly promulgated on 6 September 2024 and implemented on 1 November 2024 the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) ("2024 Negative List"), which replaced the previous negative list. According to the Foreign Investment Law, its Implementation Rules, and the 2024 Negative List, foreign investors are prohibited from investing in industries listed as forbidden in the Negative List. Additionally, foreign investment must satisfy certain conditions for investing in restricted industries listed in the Negative List. Industries not included in the Negative List are considered "permitted" for foreign investment.

Laws and Regulations Concerning Work Safety, Environmental Protection, and Energy Conservation Review

Pursuant to the Work Safety Law of the People's Republic of China ("Work Safety Law") as last amended by the SCNPC on 10 June 2021 and effective from 1 September 2021, entities engaging in production and business operations within mainland China must comply with the Work Safety Law and other laws and regulations relating to work safety. Production and business operation entities shall strengthen work safety management, establish and improve responsibility systems and rules related thereto, ensure investment increase in funds, materials, technology and personnel, improve operating conditions and enhance safety standardization and information-based development to ensure safe production by improving the level of work safety. The principal person in charge of a production and business operation entity shall be fully responsible for the production safety work of such entity. Production and business units that violate the Work Safety Law will be subject to fines, orders to suspend production and rectify operations based on the severity of the violation, and will face criminal liability if a crime is constituted.

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) ("Environmental Protection Law"), which was most recently revised by the SCNPC on 24 April 2014, and came into effect on 1 January 2015, enterprises, public institutions, and other production and business operators that discharge pollutants shall take measures to prevent and control the pollution and harm to the environment caused by waste gas, wastewater, waste residue, medical waste, dust, odorous gases, radioactive substances, as well as noise, vibration, light radiation, electromagnetic radiation, etc., generated during production, construction, or other activities. The state implements a pollutant discharge permit management system in accordance with the law.

Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), promulgated and implemented by the SCNPC on 29 December 2018, the Regulations on the Administration of Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), as amended by the State Council on 16 July 2017 and effective from 1 October 2017, and the Interim Measures for the Acceptance of Environmental Protection Facilities upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the former Ministry of Environmental Protection on 20 November 2017 and implemented on the same date, China implements an environmental impact assessment system for construction projects. Before commencement of construction, a construction entity shall submit for approval an environmental impact report or an environmental impact report form, or, in accordance with the provisions of the competent environmental protection authority under the State Council, submit an environmental impact registration form for filing. In addition, upon completion of construction projects for which an environmental impact report or an environmental impact report form is required, the construction entity shall, in accordance with the standards and procedures prescribed by the competent environmental protection authority under the State Council, carry out acceptance of the supporting environmental protection facilities and prepare an acceptance report. For construction projects developed and put into production or use in phases, the corresponding environmental protection facilities shall be accepted on a phased basis. Supporting environmental protection facilities for construction projects may be put into production or use only after passing acceptance. Those that have not undergone acceptance or have failed acceptance may not be put into production or use.

Pursuant to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) ("Law on the Prevention and Control of Environmental Pollution by Solid Waste"), as last amended by the SCNPC on 29 April 2020 and implemented on 1 September 2020, any entity or individual that produces, collects, stores, transports, utilizes or disposes of solid waste shall take measures to prevent or reduce environmental pollution caused by the solid waste and shall bear legal liability in accordance with the law for any environmental pollution so caused. If it is hazardous waste, it shall be managed as hazardous waste.

Pursuant to the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), as last amended by the SCNPC on 27 June 2017 and implemented on 1 January 2018, enterprises, public institutions and other production and business operators that directly or indirectly discharge industrial wastewater, medical wastewater, or other wastewater or sewage that, in accordance with regulations, may be discharged only upon obtaining a pollutant discharge permit, shall obtain the pollutant discharge permit. Furthermore, new, reconstructed, or expanded construction projects and other water facilities that directly or indirectly discharge pollutants into water bodies shall undergo environmental impact assessments in accordance with the law. Water pollution prevention facilities shall be designed, constructed, and put into operation simultaneously with the main project.

Pursuant to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》), promulgated by the State Council on 24 January 2021 and effective from 1 March 2021, enterprises, public institutions and other production and business operators that carry out pollutant discharge permit administration in accordance with the law shall discharge pollutant in accordance with the Regulations. Entities that have not obtained pollutant discharge permits may not discharge pollutants.

Regulations Relating to Overseas Investment and Foreign Exchange

Regulations Relating to Overseas Investment

According to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the Ministry of Commerce on 6 September 2014, and effective from 6 October 2014, the Ministry of Commerce and provincial commerce authorities implement filing-based management and approval-based management respectively, depending on the different circumstances of enterprises' overseas investments. Where an overseas investment involves sensitive countries and regions, or sensitive industries, approval-based administration is implemented. Other types of overseas investment are subject to filing-based management.

According to the Administrative Measures for by Overseas Investment Enterprise (《企業境外投資管理辦法》) promulgated by the NDRC on 26 December 2017, and effective from 1 March 2018, Chinese domestic enterprises ("investing entities") conducting overseas investment shall fulfill approval, filing, and other procedures for overseas investment projects ("projects"), report relevant information, and cooperate with supervision and inspection. The scope of approval-based management covers sensitive projects carried out by investing entities directly or through their controlled overseas enterprises; the scope of filing-based management covers non-sensitive projects directly carried out by investing entities, i.e., those involving direct investment of assets, equity, or provision of financing or guarantees by the investing entity. The aforementioned sensitive projects refer to those involving sensitive countries and regions or sensitive industries. The Catalog of Sensitive Sectors for Overseas Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), promulgated the NDRC and became effective from 1 March 2018, details the sensitive industries for overseas investment.

The Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), published by the State Administration of Foreign Exchange ("SAFE") on 13 February 2015 and implemented on 1 June 2015, cancels the approval requirement of foreign exchange registration for direct investment. Banks directly review and handle foreign exchange registration for overseas direct investment. The SAFE and its local branches implement indirect supervision over such foreign exchange registration through banks.

Regulations Relating to Foreign Exchange

According to the Regulations on the Foreign Exchange System of the People's Republic of China (《中華人民共和國外匯管理條例》), most recently revised by the State Council on 5 August 2008, these regulations apply to the foreign exchange receipts and payments or foreign exchange business activities of domestic institutions and individuals, as well as the foreign exchange receipts and payments or foreign exchange business activities of overseas institutions and individuals within China.

According to the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Overseas Listings (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), issued by the SAFE on 26 December 2014, the SAFE and its branches and foreign exchange administration departments supervise, administer, and inspect business registration, account opening and use, cross-border receipts and payments, fund

remittances, and other activities related to overseas listings by domestic companies. A domestic company shall, within 15 working days from the completion of its overseas listing and issuance, complete overseas listing registration with the local SAFE at its place of registration with relevant materials.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on 9 June 2016, the capital account foreign exchange income for which relevant policies explicitly permit voluntary settlement (including foreign exchange capital funds, proceeds from foreign debts, funds repatriated from overseas listings, etc.) may be settled at banks in accordance with the actual operational needs of domestic institutions. Where existing regulations impose restrictive provisions on the settlement of capital account foreign exchange income by domestic institutions, such provisions shall prevail.

According to the Notice of the State Administration of Foreign Exchange on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated by the SAFE on 10 April 2020, on the premise of ensuring that the use of funds is authentic and compliant and in accordance with the existing administrative regulations on the use of capital account income, eligible enterprises are allowed to use capital, external debt and income from overseas listings and other capital account income for domestic payments without the need to provide authenticity certification materials to banks on a transaction-by-transaction basis in advance. According to the Notice of the State Administration of Foreign Exchange on Further Deepening Reforms and Facilitating Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》), issued by the SAFE on 4 December 2023, foreign exchange funds raised by domestic enterprises through overseas listings may be directly remitted into capital account settlement accounts, and funds in such accounts may be freely converted into RMB and used.

Regulations Relating to Commercial Housing Leasing

According to the Measures for the Administration of Commercial Housing Leasing 《商品房屋租賃管理辦法》, promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010, and effective from 1 February 2011, within 30 days after the signing of a housing lease contract, the parties to the housing lease shall go to the construction (real estate) competent department of the people's government of the municipality directly under the central government, city, or county where the leased housing is located to handle housing lease registration and filing. If the housing lease registration and filing is not handled, the construction (real estate) competent department shall order rectification within a specified period; if an individual fails to rectify within the specified period, a fine of less than RMB1,000 shall be imposed; and if an entity fails to rectify within the specified period, a fine of not less than RMB1,000 but not more than RMB10,000 shall be imposed.

Laws and Regulations to Anti-Monopoly

The Anti-Monopoly Law (《中華人民共和國反壟斷法》) which was promulgated by the SCNPC on 30 August 2007 with effect from 1 August 2008, as revised on 24 June 2022 with effect from 1 August 2022, applies to the monopolistic practices in domestic economic activities in China as well as the monopolistic practices outside China which have exclusion or restriction effects on domestic market competition. The monopolistic practices under the Anti-Monopoly Law include monopoly agreement reached by operators, abuse of market dominating position by operators and the concentration of operators which has an effect of eliminating or restricting competition. The agencies designated by the State Council are responsible for the enforcement of the Anti-Monopoly Law. The anti-monopoly enforcement agencies of the State Council may, according to work requirements, delegate relevant anti-monopoly enforcement tasks to the corresponding agencies of the people's governments of provinces, autonomous regions and centrally-administered

municipalities pursuant to the provisions of Anti-Monopoly Law. Operators who violate the Anti-Monopoly Law may be ordered by the enforcement agencies to stop the illegal act, be imposed a fine or be subject to other restrictive measures.

Laws and Regulations Relating to Intellectual Property

Patents

According to the Patent Law of the People's Republic of China ("Patent Law"), promulgated by the SCNPC on 12 March 1984, most recently revised on 17 October 2020, and effective from 1 June 2021, and the Implementing Regulations of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), promulgated by the State Council on 15 June 2001, most recently revised on 11 December 2023, and effective from 20 January 2024, patents are divided into three types: invention, utility model, and design. The term of protection for an invention patent is 20 years, the term of protection for a utility model patent is 10 years, and the term of protection for design patents is 15 years, calculated from the application date. After invention and utility model patent rights are granted, unless otherwise stipulated by the Patent Law, no entity or individual may exploit the patent without the patentee's permission, that is, they may not, for production or business purposes, manufacture, use, offer to sell, sell, or import the patented product, or use the patented method, or use, offer to sell, sell, or import products directly obtained by using the patented method. After a design patent right is granted, no entity or individual may exploit the patent without the patentee's permission, that is, they may not, for production or business purposes, manufacture, offer to sell, sell, or import the patented design product.

Trademarks

Pursuant to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), promulgated by the SCNPC on 23 August 1982, last amended on 23 April 2019 and implemented on 1 November 2019, and the Implementing Regulations of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》), promulgated by the State Council on 3 August 2002, last amended on 29 April 2014 and implemented on 1 May 2014, trademarks approved and registered by the Trademark Office are registered trademarks. Trademark registrants enjoy the exclusive right to use registered trademarks, which is protected by law. The validity period of a registered trademark is 10 years, calculated from the date of approval of registration.

Copyrights

The Copyright Law of the People's Republic of China ("Copyright Law"), which first came into effect on 1 June 1991, was last amended in 2020 and became effective on June 1, 2021, stipulates that Chinese citizens, legal persons, or other organizations enjoy copyright in their copyrightable works, whether or not published, including those in literature, art, natural sciences, social sciences, engineering technologies, and computer software (among others). Copyright owners enjoy several legal rights, including the right of publication, the right of authorship, and the right of reproduction. The Copyright Law extends the scope of copyright protection to internet activities, products disseminated through the internet, and software products. In addition, the Copyright Law provides a voluntary registration system managed by China Copyright Protection Center.

According to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》), promulgated by the State Council on 4 June 1991, revised on 30 January 2013, and effective from 1 March 2013, software copyright owners may apply for registration with software registration authorities recognized by the copyright administration department of the State Council. Software copyright owners may license others to exercise their software copyrights and have the right to receive remuneration.

Trade Secrets

According to the Civil Code of the People's Republic of China (《中華人民共和國民法典》), promulgated on 28 May 2020, and effective from 1 January 2021, rights holders enjoy proprietary rights for trade secrets.

According to the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), promulgated on 2 September 1993, most recently amended on 27 June 2025, and effective from 15 October 2025, trade secrets refer to commercial information, such as technical information and business information, that is not known to the public, has commercial value, and for which the rights holder has taken corresponding protective measures.

Domain Names

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), promulgated by the Ministry of Industry and Information Technology on 24 August 2017, and effective from 1 November 2017, those establishing domain name root servers and their operating agencies, domain name registration administration agencies, and domain name registration service agencies within China must obtain a license from the Ministry of Industry and Information Technology or the communications administrations of provinces, autonomous regions, or municipalities directly under the central government. In principle, domain name registration services operate on a "first come, first served" basis. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), promulgated by the Ministry of Industry and Information Technology on 27 November 2017, and effective from 1 January 2018, stipulates the obligations of internet information service providers and other entities in combating terrorism and safeguarding cybersecurity.

Laws and Regulations Relating to Product Quality and Liability

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), promulgated by the SCNPC on 22 February 1993, and most recently amended on 29 December 2018, producers and sellers shall establish and improve internal product quality management systems and strictly implement quality standards for positions, quality responsibilities, and corresponding assessment methods. It is prohibited to forge or falsely use quality marks such as certification marks; it is prohibited to forge the origin of products, or to forge or falsely use others' factory names or addresses; and it is prohibited to mix impurities or counterfeits into products manufactured and sold, to pass off fakes as genuine, or inferior goods as superior.

If a product sold falls under any of the following circumstances, the seller shall be responsible for repair, replacement, or return; and if losses are caused to consumers who purchased the product, the seller shall compensate them: (1) the product does not possess the intended use performance which was not explained in advance; (2) the product does not comply with the product standards indicated on the product or its packaging; or (3) the product does not conform to the quality status indicated by product descriptions, physical samples, or other means. After the seller undertakes repair, replacement, return, and compensation for losses in accordance with the preceding paragraph, if the responsibility lies with the producer or other sellers who supply the product to the seller (hereinafter referred to as "suppliers"), the seller has the right to seek recourse from the producer or supplier. If sales contracts or contracts for work concluded between producers, between sellers, or between producers and sellers have different stipulations, the parties to the contract shall execute them in accordance with the contractual stipulations.

According to the Civil Code of the People's Republic of China, promulgated on 28 May 2020, and effective from 1 January 2021, if a defective product causes harm to others, the producer shall bear the tort liability. If a defective product causes harm to others, the injured party may claim compensation from either the producer or the seller of the product. If a product defect endangers the personal or property safety of others, the injured party has the right to request the producer or seller to assume tort liabilities such as ceasing infringement, removing obstacles, and eliminating

dangers. If a product is found to have defects after being put into circulation, the producer and seller shall promptly take remedial measures such as stopping sales, issuing warnings, and recalling the product; if they fail to take remedial measures in a timely manner or if the remedial measures are ineffective, leading to an expansion of damages, they shall also bear the tort liability for the expanded damages.

Laws and Regulations Relating to Import and Export Trade

According to the Customs Law of the People's Republic of China (《中華人民共和國海關法》), promulgated by the SCNPC on 22 January 1987, and most recently revised on 29 April 2021, except as otherwise stipulated, consignees and consignors of imports and exports may handle customs declaration and tax payment procedures themselves, or they may entrust customs brokers to handle customs declaration and tax payment procedures. Consignees and consignors of imports and exports and customs brokers shall file records with the Customs in accordance with the law when handling customs declaration procedures.

According to the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》), promulgated by the SCNPC on 12 May 1994, and most recently revised on 30 December 2022, and the Regulations of the People's Republic of China on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》), promulgated by the State Council on 10 December 2001, most recently revised on 10 March 2024, and effective from 1 May 2024, no unit or individual shall establish or maintain prohibitory or restrictive measures on the import or export of goods, except where expressly prohibited or restricted by laws or administrative regulations.

According to the Administrative Provisions on the Filing of Customs Declaration Entities of the People's Republic of China (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs of China on 19 November 2021, and effective from 1 January 2022, consignees, consignors, or customs brokers of imports or exports only need to apply for record-filing with the Customs and are no longer required to register with the General Administration of Customs of China. The record-filing information will be made public through the Credit publicity platform of import and export business of Customs of the People's Republic of China.

According to the Foreign Trade Law of the People's Republic of China, promulgated by the SCNPC on 12 May 1994, and most recently revised on 30 December 2022, the provision requiring foreign trade operators engaged in the import or export of goods or technologies to register with the foreign trade competent department of the State Council or its authorized agencies has been abolished.

Laws and Regulations Relating to Labor and Social Security

Labor Law, Labor Contract Law, and Regulation on the Implementation of the Employment Contract Law of the People's Republic of China

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), most recently amended by the SCNPC on 29 December 2018, the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), most recently amended by the SCNPC on 28 December 2012, and effective from 1 July 2013, and the Regulation on the Implementation on the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》), promulgated and implemented by the State Council on 18 September 2008, an employment contract shall be concluded when an employment relationship is established. Employers shall establish and improve labor rules and regulations in accordance with

the law to ensure that employees enjoy their labor rights and fulfill their labor obligations. Employment contracts must be concluded in writing and impose stricter requirements on employers regarding the conclusion of fixed-term employment contracts, the hiring of temporary workers, and the dismissal of employees.

Regulations Relating to Social Insurance and Housing Provident Fund

The Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), most recently amended and implemented by the SCNPC on 29 December 2018, and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), most recently revised and implemented by the State Council on 24 March 2019, establish social insurance systems including basic old-age insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Paying entities must register for social insurance with local social insurance agencies and participate in social insurance. Paying entities and individuals shall pay social insurance premiums on time and in full.

According to the Administration of Housing Accumulation Funds (《住房公積金管理條例》), most recently revised and implemented by the State Council on 24 March 2019, entities shall register for housing provident fund contributions with housing provident fund management centers and complete the procedures for establishing housing provident fund accounts for their employees. Entities shall contribute to the housing provident fund on time and in full.

In accordance with the Interpretation of the Supreme People's Court on Several Issues about the Application of Laws in the Trial of Labor Dispute Cases (II) (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), promulgated by the Supreme People's Court and effective as of September 1, 2025, if employers and employees agree or employees undertake to the employers that social insurance premiums are not required to be paid, the people's court shall deem such agreement or undertaking invalid. Where employers fail to pay social insurance premiums according to law and employees request the termination of labor contracts and economic compensation from employers in accordance with relevant provisions of the Labor Contract Law, the people's courts shall support such requests in accordance with the law. Under the circumstances specified in the preceding paragraph, if employers make up the social insurance premiums in accordance with the law and then request employees to return the compensation already paid for social insurance premiums, the people's courts shall support such requests in accordance with the law.

Regulations Relating to Dividend Distribution

In accordance with applicable Chinese laws and regulations, foreign-invested enterprises in China may only pay dividends from their accumulated profits (if any) as determined by Chinese accounting standards and regulations. Furthermore, foreign-invested enterprises in China are required to withdraw at least 10% of their accumulated after-tax profits (if any) each year as a statutory reserve fund, unless such reserve has reached 50% of the enterprise's registered capital. Chinese companies may, at their discretion, allocate a portion of their after-tax profits to other reserve funds in accordance with Chinese accounting standards. These reserves cannot be distributed as cash dividends. Chinese companies may not distribute any profits before making up for losses from previous fiscal years and withdrawing reserve funds. Retained profits from previous fiscal years may be distributed together with the distributable profits of the current fiscal year.

Tax-Related Laws and Regulations

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), promulgate by the SCNPC, most recently revised and implemented on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), promulgate by the State

Council, most recently revised on 6 December 2024 and implemented on 20 January 2025, the unified enterprise income tax rate is 25%. However, non-resident enterprises that have not established an institution or place of business within the territory of China, or that have established such an institution or place of business but whose income has no actual connection with such institution or place of business, shall be subject to enterprise income tax at a rate of 10% on income derived from sources within the territory of China. A unified enterprise income tax rate of 25% is levied on both foreign-invested enterprises and domestic enterprises, with tax incentives granted to special industries and projects. Eligible small-sized and low-profit enterprises are subject to enterprise income tax at a preferential rate of 20%. Certified high-tech enterprises are subject to enterprise income tax at a preferential rate of 15%.

Value-Added Tax (VAT)

In accordance with the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值税暫行條例》), promulgated by the State Council, most recently revised and implemented on 19 November 2017, and the Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值税暫行條例實施細則》), promulgated by the Ministry of Finance, most recently revised on 28 October 2011 and implemented on 1 November 2011, entities and individuals engaged in the sale of goods, the provision of processing, repair or replacement services, or the importation of goods within the territory of China are VAT payers and shall be subject to VAT. Unless otherwise stipulated, the tax rate for taxpayers selling or importing goods, or providing processing, repair or replacement services within the territory of China, is 17%, and under certain specific circumstances, it is 11%, 6%, or 0%.

According to the Notice of the Ministry of Finance and the State Taxation Administration on Adjusting Value-added Tax Rates (《財政部、國家税務總局關於調整增值税税率的通知》), issued on 4 April 2018, and implemented on 1 May 2018, where taxpayers engage in VAT-taxable sales or the importation of goods, the VAT rate originally applicable at 17% and 11% shall be adjusted to 16% and 10%.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》), promulgate by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs of China on 20 March 2019, and implemented on 1 April 2019, where VAT general taxpayers engage in taxable sales activities or imported goods, the VAT rate originally applicable at 16% shall be adjusted to 13%, and the VAT rate originally applicable at 10% shall be adjusted to 9%.

On 25 December 2024, the SCNPC promulgated the Value-Added Tax Law of the People's Republic of China (《中華人民共和國增值税法》) ("Value-Added Tax Law"), which was implemented on 1 January 2026, and the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值税暫行條例》) was abolished at the same time. According to the Value-Added Tax Law, entities and individuals (including individual industrial and commercial households) selling goods, services, intangible assets, and real estate, as well as importing goods within the territory of China, are VAT taxpayers and shall pay VAT in accordance with the provisions of the Law. Unless otherwise stipulated, the tax rate for taxpayers selling goods, providing processing, repair or replacement services, tangible movable property leasing services, or the importation of goods, is 13%, and under certain specific circumstances, it is 9%, 6%, or 0%.

Laws and Regulations Relating to Overseas Securities Issuance and Listing by Domestic Enterprises

Securities Laws and Regulations

The Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "Securities Law"), most recently revised by the SCNPC on 28 December 2019 and effective from 1 March 2020, comprehensively regulates activities in the securities market within the territory of China, including the issuance and trading of securities, the acquisition of listed companies, information disclosure, investor protection, securities trading venues, securities companies, securities registration and clearing institutions, securities service providers, securities industry associations, and securities regulatory authorities. The Securities Law further provides that domestic enterprises that directly or indirectly issue securities overseas or list their securities overseas shall comply with the relevant provisions of the State Council, and where shares of domestic companies are subscribed for and traded in foreign currencies, the specific measures shall be separately prescribed by the State Council. China Securities Regulatory Commission (CSRC) is a securities regulatory body established by the State Council, responsible for supervising and administering the securities market in accordance with the law, maintaining market order, and ensuring the legal operation of the market.

Overseas Listing

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) ("Trial Measures") and relevant guidelines were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023. According to the Trial Measures, where a domestic enterprise directly or indirectly issues shares overseas or seeks an overseas listing, it shall file with the CSRC within three working days after submitting the application documents for the overseas offering or listing. An overseas offering or listing shall not be permitted under any of the following circumstances: listing and financing are explicitly prohibited by laws, administrative regulations or relevant national provisions; overseas issuance and listing are determined by relevant departments of the State Council, after legal review, to potentially endanger national security; the enterprise within the territory of China or its controlling shareholders or de facto controllers have committed crimes such as corruption, bribery, embezzlement of property, misappropriation of property or undermining the socialist market economic order within the last three years; the enterprise within the territory of China is currently under legal investigation for suspected criminal offenses or significant violations of laws and regulations, and no conclusive opinion has been reached; or there are significant ownership disputes over the equity held by controlling shareholders or shareholders controlled by the controlling shareholders, and de facto controllers.

According to the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), ("Provisions on Strengthening the Confidentiality and Archives Administration"), jointly issued by the CSRC and other relevant departments on 24 February 2023, and effective from 31 March 2023, domestic enterprises and securities companies and securities service institutions providing corresponding services shall, in activities involving overseas issuance and listing, strictly comply with the relevant laws and regulations of the People's Republic of China and the requirements of the Provisions on Strengthening the Confidentiality and Archives Administration, enhance their legal awareness of safeguarding state secrets and strengthening archives management, and establish and improve confidentiality and archives management systems. Necessary measures shall be taken to implement confidentiality and archives management responsibilities, and state secrets, working secrets of state organs shall not be disclosed, nor shall national and public interests be harmed. If a domestic enterprise provides or publicly discloses, or provides or publicly discloses through its overseas listed entity, documents and data involving state secrets or work secrets of state organs to relevant securities companies, securities service institutions, overseas regulatory agencies, and other entities

and individuals, it shall obtain approval from the competent department with approval authority in accordance with the law, and file with the secrecy administrative department at the same level. Where domestic enterprises provide or publicly disclose to relevant securities companies, securities service institutions, overseas regulatory agencies, and other entities and individuals, or provide or publicly disclose through their overseas listed entities, other documents or materials whose disclosure would be detrimental to national security or public interest, they shall strictly fulfill the corresponding procedures in accordance with relevant national regulations.

H-share "Full Circulation"

"Full circulation" refers to the listing and trading on the Hong Kong Stock Exchange of domestic non-listed shares of H-share companies (including unlisted domestic shares held by domestic shareholders before overseas listing, unlisted domestic shares additionally issued domestically after overseas listing, and unlisted shares held by foreign shareholders). On 14 November 2019, the CSRC issued the Business Guidelines for the Application for "Full Tradability" of the Domestic Unlisted Shares of an H-Share Company (《H股公司境內未上市股份申請"全流通"業務指引》) (the "Full Circulation Guidelines"), which were revised on 10 August 2023. According to the Full Circulation Guidelines, provided that they comply with relevant laws and regulations and policy requirements concerning state-owned asset management, foreign investment, and industry supervision, shareholders of domestic nonlisted shares may independently negotiate and determine the quantity and proportion of shares applied for circulation, and entrust the H-share company to submit a "full circulation" application to the CSRC. Domestic joint stock companies not yet listed may simultaneously submit a "full circulation" application when applying for an overseas initial public offering and listing. After domestic non-listed shares are listed and traded on the Hong Kong Stock Exchange, they shall not be transferred back to China. According to the Provisional Measures, where a domestic enterprise directly lists overseas, shareholders holding domestic unlisted shares who apply to convert their domestic unlisted shares into overseas listed shares for listing and circulation on overseas exchanges shall comply with the relevant regulations of the CSRC and entrust the domestic enterprise to file with the CSRC on their behalf. According to the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) ("Measures for Implementation"), jointly issued by China Securities Depository and Clearing Corporation Limited ("CSDC") and the Shenzhen Stock Exchange ("SZSE") on 31 December 2019, the Measures for Implementation apply to H-share "Full Circulation" business-related operations, including cross-border transfer registration, custody and maintenance of holding details, trading orders and instruction transmission, settlement, management of clearing participants, and nominee holder services. For matters not covered by the Measures for Implementation, reference shall be made to the other business rules of the CSDC, China Securities Depository and Clearing Corporation (Hong Kong) Limited ("CSDC (Hong Kong)"), and the SZSE.

VIETNAM – RELATED REGULATIONS OVERVIEW

Foreign Investment Regulations

- **Law on Investment 2020:** The investment activities of organizations established under foreign law in Vietnam must comply with the provisions of the Law on Investment 2020 (formerly the Law on Investment 2014). Foreigner Investors invests in establishing an enterprise in Vietnam in the form of a wholly foreign-owned enterprise (WFOE), where 100% of the capital is owned by foreign investors. Foreign Investors must obtain an Investment Registration Certificate (IRC) from a competent state agency to carry out investment activities in Vietnam.

- **Sector-Specific Regulations:** Under Vietnam's Law on Investment 2020, foreign and domestic investors share the same market access conditions, except where Vietnam's international agreements limit foreign market access. Foreign investors may invest in Vietnam through commercial presence if domestic investors can, provided they avoid (i) prohibited sectors and (ii) restricted sectors on Vietnam's Negative List for Market Access. According to

Decree 31/2021/ND-CP, dated March 26, 2021, the principles for applying market access restrictions to foreign investors in Vietnam are as follows: (i) Investors from non-WTO countries/territories; (ii) Investors from countries with an international investment treaty; (iii) Investors with access to multiple international treaties with differing conditions.

Corporate Law

- **Enterprise Law:** The Law on Enterprises 2020 (formerly the Law on Enterprises 2014) regulates establishing and managing a company in Vietnam, including registration, corporate governance, and compliance requirements.

- **Single-member limited liability company (Single-member LLCs):** a single-member LLCs is owned by only one organization or individual**;** has its own legal personality, separate from its owner; the owner's liability is limited to the amount of capital they contribute to the company.

- For service objectives, the Investor/Economic Organization implementing the project must comply with legal regulations on import and product inspection according to the Law on Commerce No. 36/2005/QH11 dated June 14, 2005; Law on Foreign Trade Management No. 05/2017/QH14 dated June 12, 2017, detailed guiding documents, and other relevant legal regulations.

Labor Law

- **Labor Code:** The Labor Code 2019 (Law No. 45/2019/QH14) regulates labor relations in Vietnam.

- **Work Permits:** For project companies needing to hire foreign experts or executives, Vietnamese law stipulates stringent rules to protect the benefits of local workers. Pursuant to Article 152 of the 2019 Labor Code, the conditions for recruiting and employing foreign workers to work in Vietnam include: (i) Foreign workers may only be recruited to work in managerial, executive, expert and technical positions that Vietnamese workers cannot meet according to production and business needs. Before recruiting foreign workers to work in Vietnam, recruiters must explain the need for labor and obtain written approval from a competent state agency; (ii) For contractors, before recruiting and using foreign workers to work in Vietnam, they must specifically declare the job positions, professional qualifications, technical skills, work experience, and working time that require the use of foreign workers to implement the bid package and obtain written approval from a competent state agency. On September 18, 2023, the Government enacted Decree No. 70/2023/ND-CP, amending and augmenting specific provisions outlined in Decree No. 152 concerning the recruitment of foreign workers to the country, as well as hiring and oversight of Vietnamese employees working for foreign individuals and entities in the country.

- **Social Insurance:** Social Insurance Law 2014 (Law No. 58/2014/QH13) regulating social insurance-related matters in Vietnam. Mandatory minimum contributions are required of both employer and employee. There are three types of mandatory social security in Vietnam and all domestic and foreign companies are required to pay: (i) Social insurance for Vietnamese and foreign employees under labor contracts with a definite term of over one month or labor contracts with indefinite terms; (ii) Health insurances for Vietnamese and foreign employees under labor contracts with a definite term of over three months or labor contracts with indefinite terms; (iii) Unemployment insurance for Vietnamese employees under labor contracts with a definite term of over three months or labor contracts with indefinite terms. Social insurance is compulsory for foreign staff as well, in accordance with Vietnam's Labor Code. Employers register and pay insurance contributions monthly on behalf of their employees at the provincial Department of Labor, Invalids and Social Affairs (DoLISA).

Tax Regulations

- According to Law on Investment 2020 (Law No. 61/2020/QH14), Law on Enterprises 2020 (Law No. 59/2020/QH14), Law on Export and Import Duties (Law No. 107/2016/QH13); Law on Value Added Tax (VAT) (Law No. 13/2008/QH12, as amended); Law on Corporate Income Tax (CIT) (Law No. 14/2008/QH12, as amended); Decree 35/2022/ND-CP on management of industrial parks and economic zones, Export Processing Enterprises (EPEs) in Vietnam enjoy a number of special tax incentives to encourage export activities. Here is a summary of the main tax regulations applicable to foreign-invested EPEs:

- **Corporate Income Tax (CIT):** Preferential rate, exemption, and reduction period based on location and business lines.

- **Value Added Tax (VAT):** Exempt.

- **Personal Income Tax (PIT):** Understanding PIT regulations for foreign and local employees.

- **Transfer Pricing:** Ensuring compliance with transfer pricing regulations for related-party transactions.

- **Tax Procedures:** Navigating the complex tax filing and payment procedures.

Land and Real Estate Regulations

- **Land Law:** Land Law No. 31/2024/QH15 (Land Law 2024), effective from January 1, 2025, replaces Land Law No. 45/2013/QH13. Foreigners cannot own land in Vietnam. They can only acquire **land use rights (LURs)**, which grant them the right to use land for a specific period and purpose. The duration and conditions of LURs depend on the type of project and the location.

- **Industrial Zones and Export Processing Zones:** Foreign investors can lease land in these zones for manufacturing and export-oriented projects.

- **Real Estate Business Law:** Complying with regulations related to real estate development and transactions.

- **Construction Permits:** Obtaining necessary permits for construction projects.

- The workshop (asset) attached to the land must have a leased area legally created by the Investor in accordance with the land law; at the same time, ensure the criteria for real estate business conditions according to the Law on Real Estate Business 2014, with registered ownership of houses and construction works attached to land in the certificate of land use rights.

- Surplus workshops must be real and existing; no disputes over property ownership; the workshop is not distrained; have a construction permit for cases requiring a construction permit as prescribed; the workshop ensures quality and safety according to the approved functions.

- When signing a workshop lease contract, the lease term must be consistent with the annual land rent payment method and within the land use term. The signing of the surplus workshop lease contract must comply with the provisions of the current Law on Real Estate Business. The project to lease surplus workshops must be consistent with the land use purpose determined in the decision land lease decision of the competent State agency or in the signed land lease/sub-lease contract; at the same time ensure environmental hygiene, fire prevention and fighting requirements.

Intellectual Property (IP) Regulations

- **IP Law:** In 2005, Vietnam's National Assembly passed the Law on Intellectual Property (IPLs); this law was later amended and supplemented in 2009. In September 2010, in an effort to strengthen the protection of Intellectual Property Rights after entering into the Bilateral Trade Agreement (BTA) with the United States and participation in the World Trade Organization (WTO), Vietnam's government issued stricter administrative sanctions for violations of industrial property rights, along with some important changes to IP regulations in Vietnam. In 2022, Vietnam's National Assembly issued the Law on Amendments to some Articles of the Law on Intellectual Property, updating the regulations to be suitable with the practice.

- Decree No. 22/2018/ND-CP in April 2018, updating guidelines and numerous articles focusing on copyright under the Civil Code and the Law on Intellectual Property. In April 2020, the IP office issued Official Letter No. 5360/SHTT-NDHT on assistance to individuals filing international patent applications. More recently, in August 2023, The Government of Vietnam promulgated Decree No. 65/2023/ND-CP, elaborating on several articles and implementation measures of the Law on Intellectual Property regarding industrial property rights, protection of industrial property rights, rights to plant varieties, and state management of intellectual property. In August 2019, the Vietnamese government also issued Decision No. 1068/QD-TTg or National IP Strategy on Intellectual Property Strategy with a Vision to 2030. The document will serve as a guideline for ministries, sectors, and state agencies to adopt IP rights – the first time Vietnam has done this as a national strategy.

Customs and Import/Export Regulations

- **Customs Law:** According to Law No. 54/2014/QH13 dated June 23, 2014, Circular 34/2013/TT-BCT, there are certain goods that foreign invested enterprises may not export from, or import into, Vietnam. Goods banned for export include petroleum oil. Goods banned from import into the country include cigars, tobacco, petroleum oils, newspapers and journals, and aircraft. Certain goods require the trading company to obtain import and export permits from the government, as per Appendix II of Decree 187/2013/ND-CP. All imports and exports must comply with the relevant government regulations on quarantine, food safety, and quality standards, and must be inspected by the relevant government agencies before clearing customs.

- **Tariffs and Duties:** According to the Law on Import Tax and Export Tax No. 107/2016/QH13 dated April 16, 2016 of the National Assembly of Vietnam, Decree No. 134/2016/ND-CP dated 01/09/2016, amended in Decree No. 18/2021/ND-CP of the Government of Vietnam regulating expenditure detailing a number of articles and measures to implement the Law on Import and Export Tax.

- Being solely responsible for ensuring the quality of machinery, equipment, and technological lines to implement the investment project (according to Clause 1, Article 45 of the Law on Investment 2020); imported machinery and equipment must be brand new (100%), unused; the technological line must originate from advanced and modern countries and not be subject to technology transfer restrictions, consistent with the registered production goals and processes, and not cause environmental pollution.

- In case during the production and business process, the project involves the import of used machinery and equipment, the Investor must comply with the regulations of Directive No. 17/CT-TTg dated August 9, 2013, of the Prime Minister on strengthening management and control of the import of machinery and equipment of enterprises; Decision No. 18/2019/QD-TTg dated April 19, 2019, of the Prime Minister promulgating regulations on the import of used machinery, equipment, and technological lines.

- For the objective of exercising export rights, import rights, and wholesale distribution rights (without establishing a wholesale establishment) of goods:

  - The Investor is responsible for complying with the provisions of the Law on Foreign Trade Management 2017, Decree No. 69/2018/ND-CP dated May 15, 2018, of the Government detailing a number of articles of the Law on Foreign Trade Management, Decree No. 09/2018/ND-CP dated January 15, 2018, of the Government detailing the Law on Commerce and Law on Foreign Trade Management regarding goods trading activities and activities directly related to goods trading of foreign investors and foreign-invested economic organizations in Vietnam;

  - The Investor/Economic Organization implementing the project is only allowed to exercise the rights of export, import, and distribution for goods under specialized management and/or conditional business goods after being granted a business license or equivalent documents by a specialized management agency and/or meeting all business conditions as prescribed by law.

Environmental Regulations

- **Environmental Protection Law:** Law 72/2020/QH14 on Environmental Protection dated November 17, 2020 categorizes investment projects based on their level of environmental impact, thereby specifying corresponding environmental protection procedures and requirements. Projects are classified into 4 groups: (i) Group I: Projects with a high risk of adverse environmental impact: (ii) Group II: Projects with a medium risk of adverse environmental impact; (iii) Group III: Projects with a low risk of adverse environmental impact; (iv) Group IV: Projects with no risk of adverse environmental impact.

- **Environmental Impact Assessments (EIAs):** Projects in Group I and some projects in Group II must conduct an EIA before implementation. An EIA is the process of analyzing, assessing, and forecasting the environmental impacts of a project, thereby proposing measures to mitigate negative impacts. The EIA results must be approved by a competent state agency.

- For project objectives and scales that have not been granted an environmental impact assessment report/environmental permit, the Investor/Economic Organization implementing the project is responsible for implementing a supplementary environmental impact assessment report in accordance with the Law on Environmental Protection and guiding documents, ensuring that the objectives and scales are only put into operation after completing the environmental impact assessment report procedures and being approved by a competent authority. In case the registered objectives and scale of the project are put into operation before the supplementary environmental impact assessment report/environmental permit is approved, the enterprise shall be fully responsible for the violation of not fully meeting environmental regulations under Vietnamese law.

Competition Law

Law on Competition 2018 Ensuring compliance with anti-monopoly and fair competition regulations.

- **Merger Control:**

  - Foreign investors involved in mergers or acquisitions in Vietnam are subject to merger control regulations.

  - The law requires notification and approval for transactions that exceed certain thresholds, based on factors like combined market share and total assets.

- **Anti-Competitive Agreements:**
  - Foreign investors must ensure that their business agreements and practices comply with the law's prohibitions on anti-competitive agreements.
  - This includes agreements with both domestic and other foreign companies operating in Vietnam.
  - Prohibited agreements include price-fixing, market division, and bid-rigging.
- **Abuse of Dominant Market Position:**
  - If a foreign investor holds a dominant market position in Vietnam, they must avoid abusing that position in ways that harm competition.
  - This could include practices like predatory pricing, exclusive dealing, or refusing to supply essential goods or services.
- **Unfair Competition:**
  - Foreign investors must refrain from unfair competition practices, such as misleading advertising, trade secret misappropriation, and other deceptive acts.
  - These regulations apply equally to domestic and foreign businesses.
- **Enforcement and Penalties:**
  - The National Competition Commission (NCC) is responsible for enforcing the Law on Competition 2018.
  - Foreign investors found to be in violation of the law can face significant penalties, including fines and other corrective measures.

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.

Our business had initially been operated as part of Sunny Optical Technology Group. To facilitate the [**REDACTED**] and the [**REDACTED**], Sunny Optical Technology Group has undergone the Reorganization to transfer our business to our Group. Following the Reorganization, our Group principally engages in vehicle-related optical businesses, offering a wide spectrum of advanced optical products with a focus on vehicles as the field of application, while Retained Sunny Optical Technology Group continues to carry out the remainder of its existing principal business, which includes R&D, manufacture and sales of optical and optical-related products which focus on fields of application other than vehicles, such as XR, smartphones, pan-IoT, robotics and optical instruments.

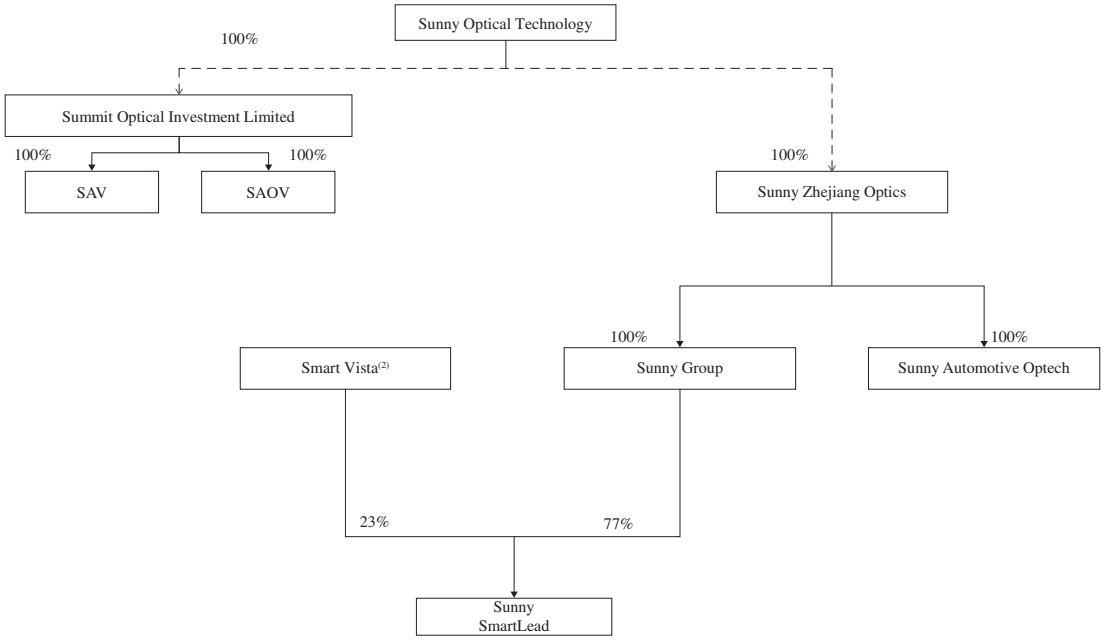
KEY MILESTONES

The following table sets forth the key milestones of our corporate and business development.

Year	Milestone
2004	Our vehicle-related business commenced operations.
	We established our foothold in overseas markets.
	We became the first company globally to develop ADAS camera products, according to Frost & Sullivan.
2012	Our vehicle lens sets held top global market share, according to Frost & Sullivan.
2019	We established our production base in Vietnam.
2024	Our vehicle camera products ranked first globally based on shipment volume.
	We became the world's largest sensing and cabin products provider by shipment volume.
2025	We covered 8 out of the top 10 global Tier-1 suppliers and 19 out of the top 20 global OEMs.

THE REORGANIZATION

The following chart sets forth the simplified corporate structure of Sunny Optical Technology Group immediately prior to the Reorganization:



Note:

(1) "—" denotes direct shareholding and "---" denotes indirect shareholding.

(2) As of the Latest Practicable Date, Smart Vista was controlled by Mr. Shao Yang Dong, one of our non-executive Directors.

In preparation for the [**REDACTED**], we carried out the following principal steps with respect to the Reorganization, upon which our Company became the holding company for our Group:

1. Incorporation of our Company and SA

On November 12, 2025, our Company was incorporated as a joint stock company with limited liability under the laws of the PRC, and was then wholly owned by Sunny Zhejiang Optics. The initial registered share capital of our Company was RMB100 million, divided into 100,000,000 Shares with a nominal value of RMB1.00 each.

SA was incorporated in Hong Kong on the same date as a private company with limited liability, which was wholly owned by Sunny Automotive Optech.

2. Transfer of SAV and SAOV to our Company

Pursuant to the share purchase agreements dated December 5, 2025 between SA and Summit Optical Investment Limited, an indirectly wholly owned subsidiary of Sunny Optical Technology, Summit Optical Investment Limited transferred the entire share capital in each of SAV and SAOV to SA. Registration in respect of the share transfers of each of SAV and SAOV were completed on January 5, 2026 and January 9, 2026, respectively.

3. Transfer of Sunny Automotive Optech and Sunny SmartLead to our Company

Pursuant to a decision made by the sole shareholder of our Company (the "**Shareholder's Decision**") dated December 29, 2025 and a share purchase agreement dated the same date between our Company and Sunny Zhejiang Optics, Sunny Zhejiang Optics transferred the entire equity interest in Sunny Automotive Optech to our Company, and we issued and allotted 1,596,000,000 Shares to Sunny Zhejiang Optics in return. Upon completion of the capital increase and transfer of equity interest, Sunny Automotive Optech became wholly owned by our Company on December 30, 2025.

Pursuant to the Shareholder's Decision and a share purchase agreement between our Company and Sunny Group dated December 29, 2025, Sunny Group transferred 77.0% equity interest in Sunny SmartLead held by it to our Company, and our Company issued and allotted 234,000,000 Shares to Sunny Group in return. Further, pursuant to the Shareholder's Decision and a share purchase agreement dated December 29, 2025 between our Company and Smart Vista, Smart Vista transferred 23.0% equity interest in Sunny SmartLead held by it to our Company, and our Company issued and allotted 70,000,000 Shares to Smart Vista in return. Upon completion of the above capital increases and transfers of equity interest, Sunny SmartLead also became a wholly owned subsidiary of our Company on December 30, 2025.

Upon completion of the Reorganization and immediately before the [**REDACTED**], our Company was held as to 84.8%, 11.7% and 3.5% by Sunny Zhejiang Optics, Sunny Group and Smart Vista, respectively. See "— Corporate Structure — Our corporate structure immediately prior to the [**REDACTED**]." As of the Latest Practicable Date, all necessary regulatory approvals in relation to the implementation of the Reorganization had been obtained.

OUR PRINCIPAL SUBSIDIARIES

The following sets forth the information on our subsidiaries have made material contribution to our operating results during the Track Record Period.

Subsidiary	Place of incorporation	Date of incorporation	Shareholding	Principal activities
Sunny Automotive Optech	PRC	April 10, 2008	100%	Manufacture and sale of vehicle camera products and other vehicle optical products
Sunny SmartLead . . .	PRC	November 23, 2015	100%	Manufacture and sale of vehicle camera products
SAV	Vietnam	November 12, 2019	100%	Manufacture and sale of vehicle camera products
SAOV	Vietnam	October 5, 2023	100%	Manufacture and sale of vehicle camera products

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period, our Company did not conduct any acquisition of business for which any of the applicable percentage ratios as defined under the Listing Rules exceeds 25%, which would require disclosure pursuant to Rule 4.05A of the Listing Rules. We also did not conduct any other acquisitions, disposals or mergers material to our Group during the Track Record Period and up to the Latest Practicable Date.

THE [REDACTED] OF OUR GROUP FROM SUNNY OPTICAL TECHNOLOGY

Our [**REDACTED**] will constitute a [**REDACTED**] from Sunny Optical Technology, one of our Controlling Shareholders. The proposal in relation to the [**REDACTED**] was submitted by Sunny Optical Technology to the Stock Exchange for approval pursuant to Practice Note 15, and the Stock Exchange has confirmed that Sunny Optical Technology may proceed with the [**REDACTED**]. We believe that the [**REDACTED**] is beneficial to both Sunny Optical Technology and our Company for the following reasons, among others:

(a) the [**REDACTED**] will allow Sunny Optical Technology an opportunity to unlock the value of our Group and realize its fair value of investment in our Group, as separating our Group from Sunny Optical Technology Group will enable the shareholders of Sunny Optical Technology and potential investors to evaluate our Group and Sunny Optical Technology Group independently based on their respective standalone performance and growth potential;

(b) our Company is a separate corporate entity that operates independently from Sunny Optical Technology Group, having its own management team and corporate and business functions. Sunny Optical Technology will [**REDACTED**] a minority stake of our Company and will continue to consolidate our Company into its accounts, therefore our Group will continue to be a key strategic asset of Sunny Optical Technology Group upon completion of the [**REDACTED**];

(c) the [**REDACTED**] will also allow an independent and separate fund-raising platform for our business to fund the growth and expansion of our Group;

(d) the [**REDACTED**] will potentially provide greater debt capacity due to greater clarity for credit profiling of each of Sunny Optical Technology Group and our Group, respectively, by financial institutions that wish to extend credit or financing to Retained Sunny Optical Technology Group or our Group;

(e) the [**REDACTED**] will increase operational and financial transparency and improve the corporate governance of our Group and provide investors, financial institutions and rating agencies with greater clarity on the business and financial status of the Retained Sunny Optical Technology Group and our Group on a standalone basis. Such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategies, risks and returns of both the Retained Sunny Optical Technology Group and our Group (on a standalone or combined basis); and

(f) the [**REDACTED**] will enable our Group to enhance its corporate profile, thereby increasing its ability to attract employee talent, as well as strategic investors who may produce synergies for our Group, for investment in and forming strategic partnerships with our Group.

In accordance with the requirements of Practice Note 15, Sunny Optical Technology will give due regard to the interests of its existing shareholders by providing them with an [**REDACTED**] to the H Shares by way of the [**REDACTED**]. See the section headed "Structure of the [**REDACTED**]" for further details of the [**REDACTED**].

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

Our Company has made an application to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, our H Shares. No part of the share or loan of our Company is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing of, or permission to [**REDACTED**], the share or loan of our Company on any other stock exchange.

PUBLIC FLOAT

Upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), 1,696,000,000, 234,000,000 and 70,000,000 Shares held by Sunny Zhejiang Optics, Sunny Group and Smart Vista, respectively, will not be counted towards the public float, representing a total of 2,000,000,000 Shares or approximately [**REDACTED**]% of our share capital in aggregate upon [**REDACTED**]. Based on the above, it is expected that immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and taking into account the Conversion of Unlisted Shares into H Shares), a total of [**REDACTED**] H Shares (being the H Shares offered in the [**REDACTED**]), representing [**REDACTED**]% of our total share capital upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) will be counted as part of the public float in accordance with Rule 8.08 (as amended and replaced by Rule 19A.13A(1)) of the Listing Rules.

To the best knowledge and information of our Directors, taking into account the Conversion of Unlisted Shares into H Shares upon [**REDACTED**], based on an [**REDACTED**] of HK$[**REDACTED**], HK$[**REDACTED**], and HK$[**REDACTED**] per H Share, being the low-end, mid-point and high-end of the [**REDACTED**] range respectively, the minimum prescribed public float percentage under Rule 8.08 (as amended and replaced by Rule 19A.13A(1)) of the Listing Rules would be approximately [**REDACTED**]%, [**REDACTED**]% or [**REDACTED**]%, being the percentage derived by dividing HK$[**REDACTED**] billion by the total market capitalization of our Company at the time of [**REDACTED**]. None of the H Shares converted from Unlisted Shares will be counted towards public float. The total number of the H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] that are counted towards the public float represent approximately [**REDACTED**]% of the total issued share capital of our Company (assuming the [**REDACTED**] is not exercised), which is higher than the minimum prescribed public float percentage under Rule 8.08 (as amended and replaced by Rule 19A.13A(1)) of the Listing Rules. Therefore, our Company will be able to meet the minimum public float requirements under Rule 8.08 (as amended and replaced by Rule 19A.13A) of the Listing Rules.

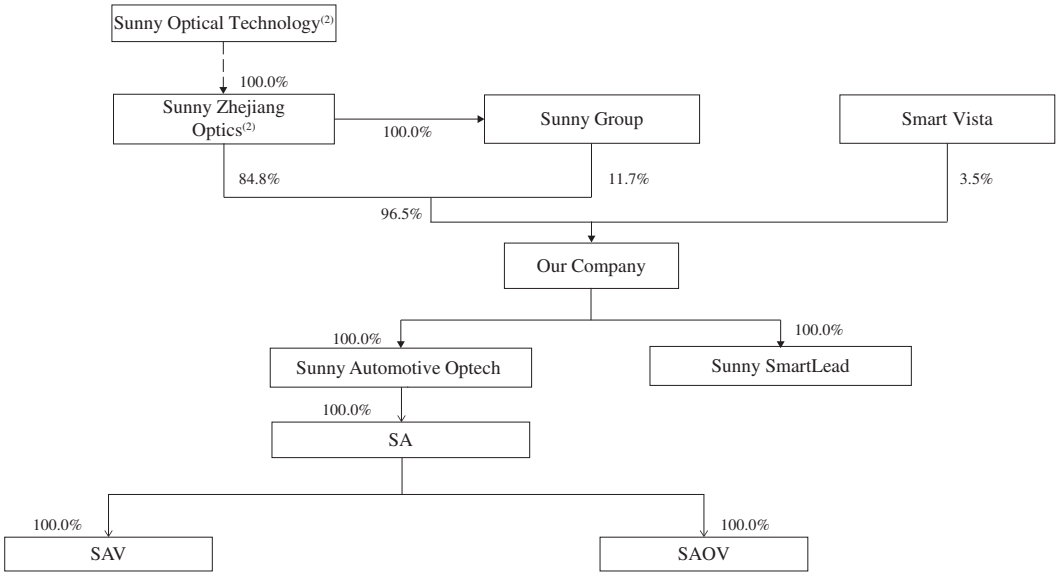
FREE FLOAT

Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, normally the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK$50,000,000; or (b) have an expected market value at the time of listing of not less than HK$600,000,000. Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the low end of the indicative [**REDACTED**] range and taking into account of the disposal restrictions, the Company will satisfy the free float requirement under Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules.

CORPORATE STRUCTURE

Our corporate structure immediately prior to the [REDACTED]

The following diagram sets out the simplified corporate and shareholding structure of our Group immediately after completion of the Reorganization but before completion of the [**REDACTED**]:



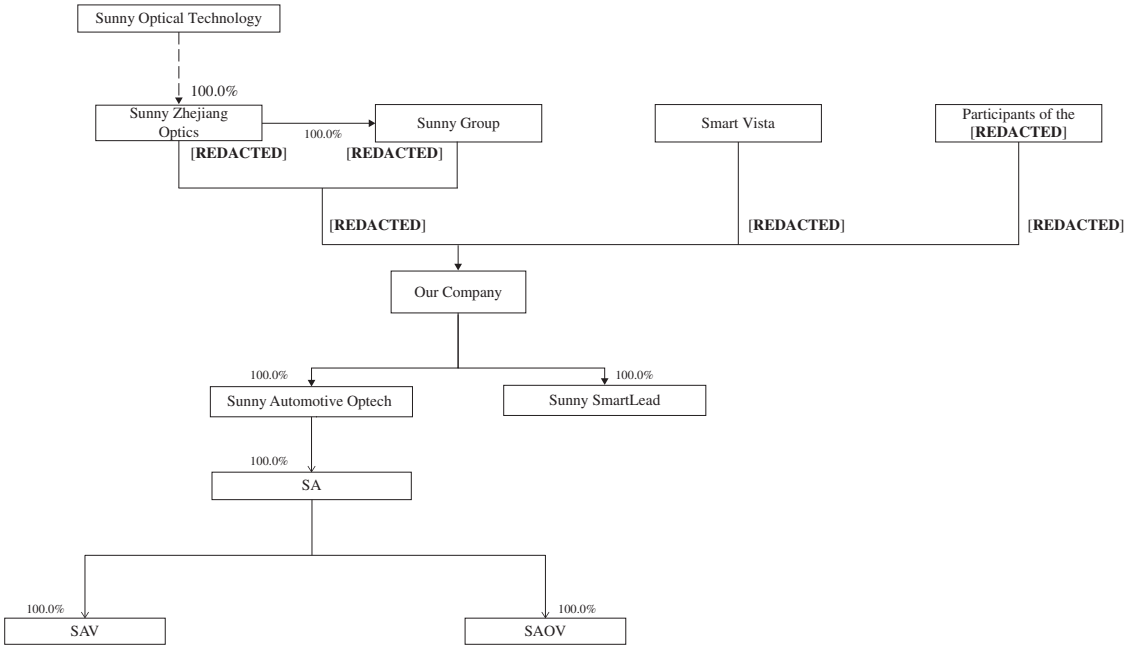
Notes:

(1) "—" denotes direct shareholding and "---" denotes indirect shareholding.

(2) As of the Latest Practicable Date, Sunny Zhejiang Optics was directly held by Sunny Optical Overseas and Summit Technology (HK) as to 72.13% and 27.87%, respectively. Sunny Optical Overseas was wholly owned by Sun Xiang Optical, which was in turn wholly controlled by Sunny Optical Technology through its wholly owned subsidiary Sun Yun Optical. Summit Technology (HK) was 100% owned by Summit Technology (BVI), which was also in turn wholly controlled by Sunny Optical Technology through its wholly owned subsidiary Sun Yun Optical.

Our corporate structure immediately after the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised):



Notes:

(1) "—" denotes direct shareholding and "---" denotes indirect shareholding.

(2) Please see note (2) underneath the corporate structure chart of our Group in "Corporate Structure — Our corporate structure immediately prior to the [**REDACTED**]" above.

OVERVIEW

Who We Are

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

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

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

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

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

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

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



Notes:

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

(2) According to F&S.

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

Our Opportunities

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

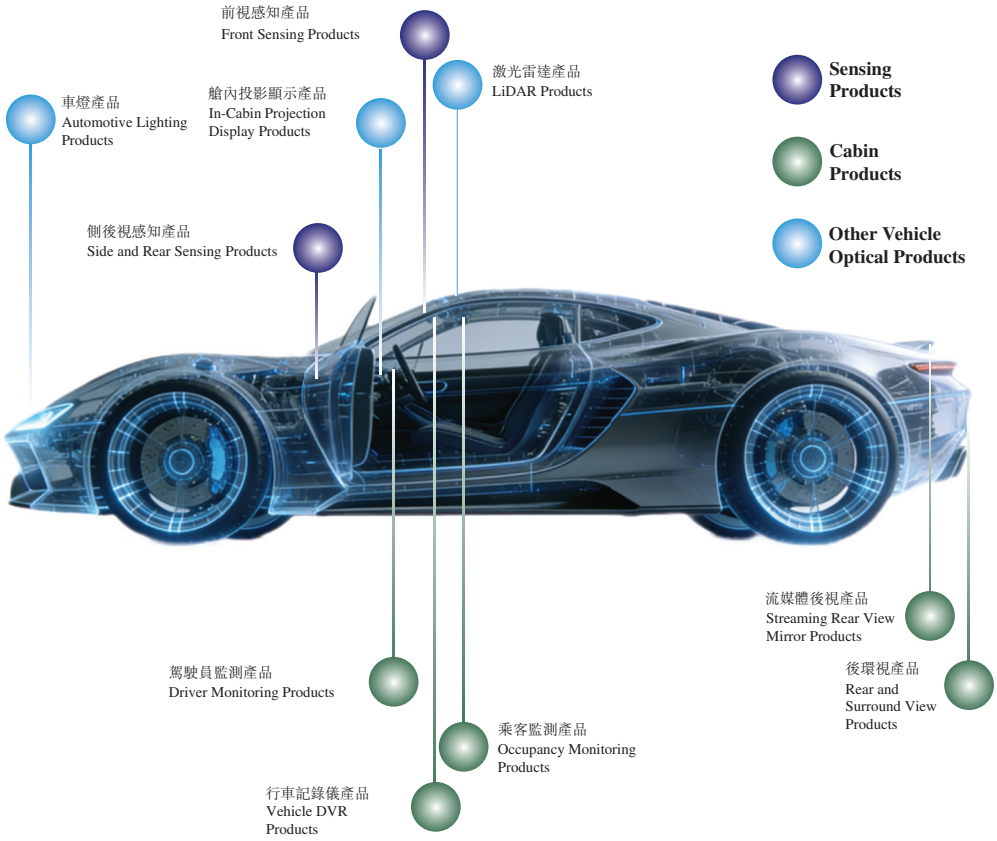
- *AI-driven automotive evolution to an intelligent and interactive space:* with rapid advancements in automotive intelligence, the integration of world models with VLA models is accelerating the implementation of ADS applications, such as Robotaxi and autonomous truck, and SDV applications. In the future,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

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

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

Our Products

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



Vehicle Camera Products

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

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

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

Other Vehicle Optical Products

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

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

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

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

Our Technology Platforms

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

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

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

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

Our Global Partners

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

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

Our Financial Performance

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

STRENGTHS

Proven Innovative Capabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

Integrated Automotive Optical Technology Platforms

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

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

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

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

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

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

Diverse Product Portfolio with Cross-Business Synergies

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

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

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

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

Established Collaborative Relationships with Global Customers

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

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

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

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

Strategic Global Manufacturing and Service Capabilities

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

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

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

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

Experienced and Committed Team with Common Core Values

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

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

STRATEGY

All in Intelligent Technologies and Innovation

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

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

Strengthening Our Partnership Ecosystem

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

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

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

Expanding Our Product Portfolio

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

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

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

Enhancing Our Global Presence

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

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

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

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

Committing to Sustainable Development

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

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

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

OUR BUSINESS MODEL

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



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

Design Phase

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

Research and Development Phase

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

Sales Phase

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

Procurement and Manufacturing Phase

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

Verification Phase

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

Delivery and Customer Service Phase

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

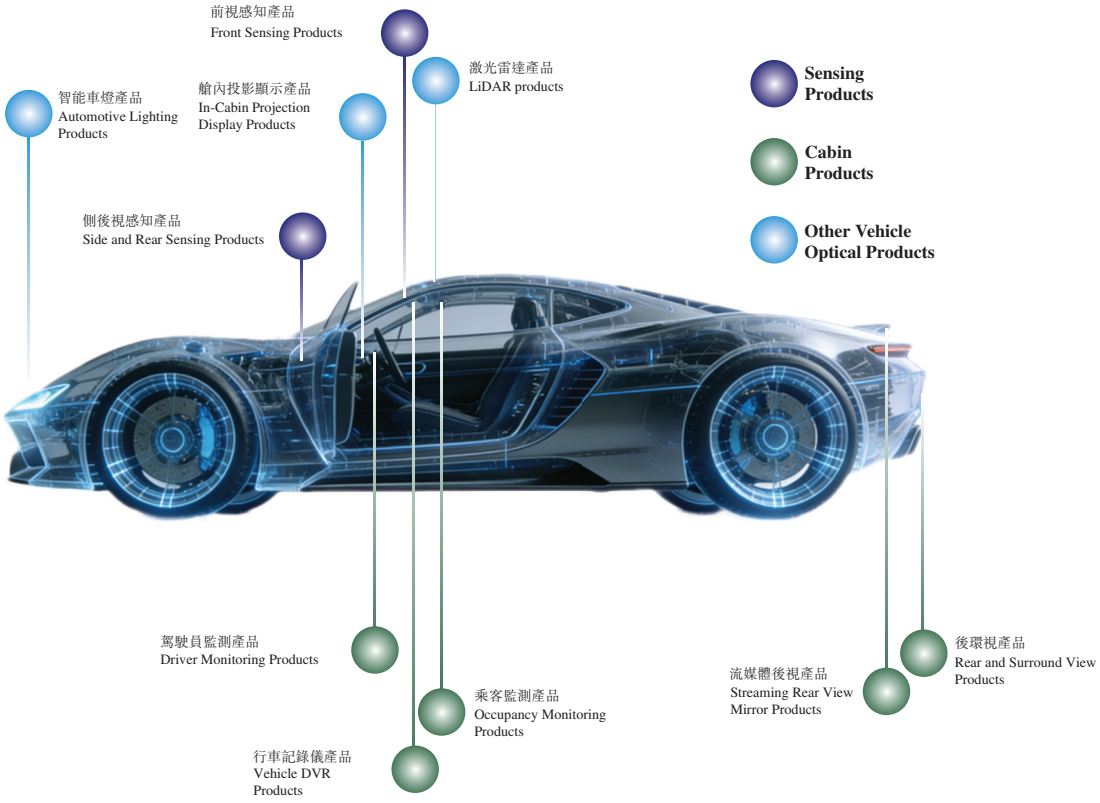
We adhere to a customer-centric, full-lifecycle approach, with an emphasis on technical accumulation, process stability and continuous innovation, enabling the stable delivery of competitive automotive optical products. Our vertically integrated model allows us to maintain control over quality and costs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

OUR PRODUCTS

Overview

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

The following diagram provides an overview of our products.



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

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

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

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

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

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

Note:

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

Revenue by Geographic Location

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

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

Note:

(1) Others mainly included Africa.

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

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

Notes:

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

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

Vehicle Camera Products

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

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

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

Sensing Products

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

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

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

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

Notes:

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

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

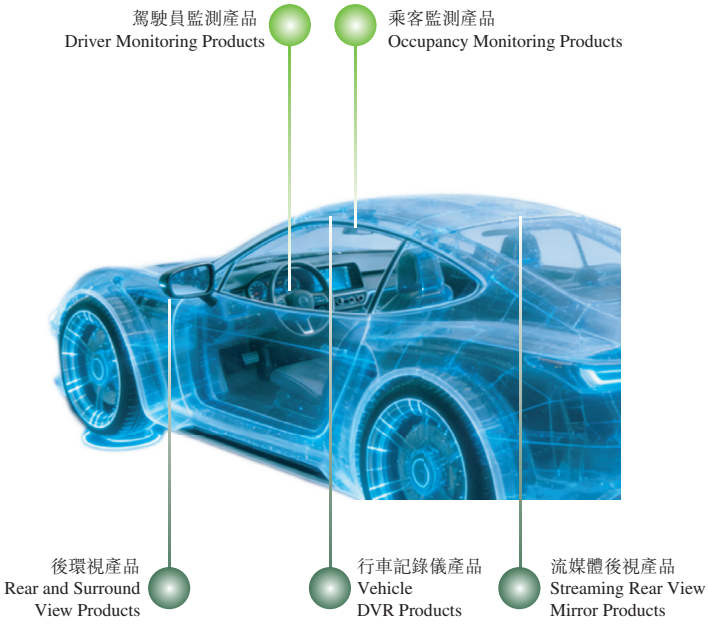
(3) CFA represents the array of color filters on an image sensor, which enables image sensors to perceive red, green and blue light to generate color images. Common CFA configurations include RGB, RGB-IR, IR, RGGB, RYYCy and RCCG.

Cabin Products

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

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

The following diagram provides an overview of our cabin products.



View Products

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

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

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

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

Notes:

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

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

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

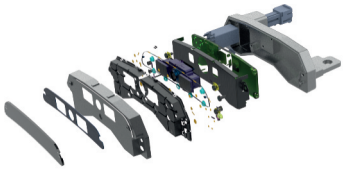
(4) F.NO represents the ratio of the lens focal length to the diameter of the entrance pupil, expressed as f/N (such as f/1.8 or f/2.0). The smaller the F.NO value, the larger the aperture, allowing more light to enter the sensor, which improves low-light performance and enables shallower depth of field.

In-cabin Products

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

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

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

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

Notes:

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

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

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

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

Other Vehicle Optical Products

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

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

LiDAR Products

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

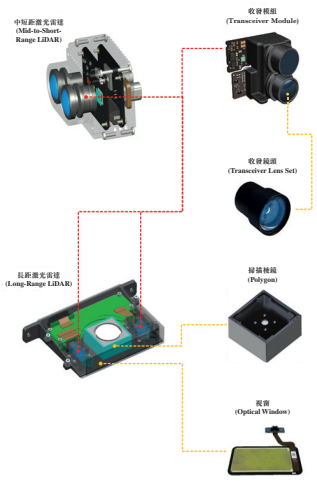
With the implementation of L3 and above autonomous driving, LiDAR will become an essential sensing unit for achieving high-precision environmental perception.

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

In-Cabin Projection Display Products

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

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

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

Automotive Lighting Products

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

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

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

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

RESEARCH AND DEVELOPMENT

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

Our R&D Capabilities

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

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

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

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

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

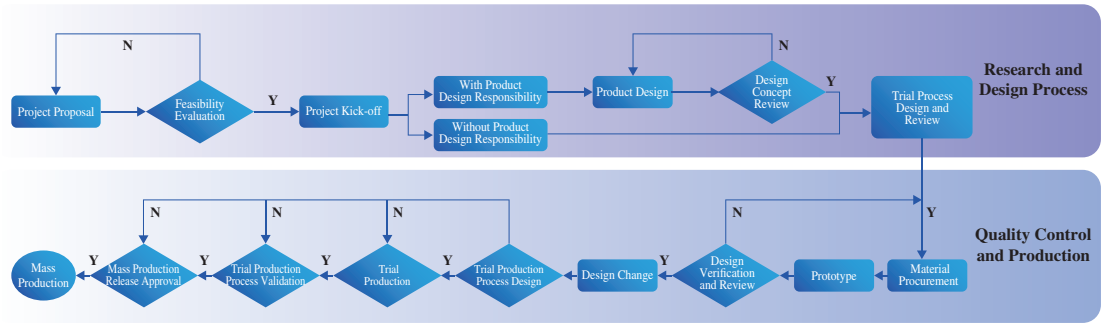
Project Name	Description	Status
Holographic Film Technology	Holographic films enable transparent, panoramic displays in future smart cabins by filtering specific light wavelengths to project images without blocking visibility.	Sample stage
8M glass-plastic hybrid structure technology	8M glass-plastic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

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

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

R&D Process

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



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

Integrated R&D Platform

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

Optical Core Technology Innovation Platform

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

Material Science

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

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

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

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

Optical Design

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

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

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

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

Precision Processing

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

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

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

Opto-Mechanical-Electro-Algorithmic Integration Platform

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

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

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

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

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

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

Digitalized Manufacturing Technology Platform

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

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

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

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

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

MANUFACTURING

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

Manufacturing Models

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

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

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

Manufacturing Bases

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

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

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

Production Capacity and Utilization

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

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

Notes:

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

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

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

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

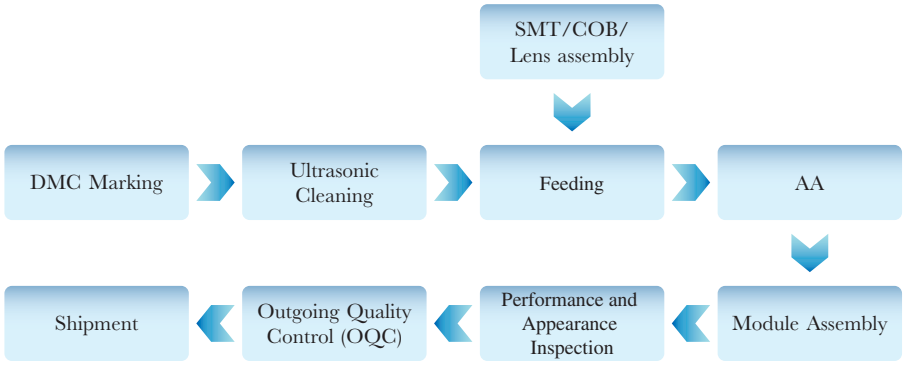
Note:

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

Manufacturing Process

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

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



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

Manufacturing Equipment and Machinery

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

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

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

QUALITY CONTROL

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

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

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

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

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

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

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

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

SALES, MARKETING AND CUSTOMERS

Sales And Marketing Strategy

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

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

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

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

Pricing

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

Sales Model

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

Direct Sales

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

Distributors

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

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

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

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

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

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

Quality Warranty

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

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

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

Our Customers

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

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

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

(i) Product Type and Degree of Integration

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

(ii) Individual Customer Procurement Practices and Internal Policies

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

(iii) Geographical Market Dynamics

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

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

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

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

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

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

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

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

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

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

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

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

Trade policies and Tariff

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

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

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

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

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

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

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

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

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

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

International Sanctions

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

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

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

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

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

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

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

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

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

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

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

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

Import Controls

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

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

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

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

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

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

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

PROCUREMENT AND SUPPLIERS

Procurement Model

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

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

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

Procurement Policy and Procedure

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

Supply Chain Management

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

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

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

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

Our Suppliers

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

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

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

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

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

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

Note:

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

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

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

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

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

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

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

Overlapping of Suppliers and Customers

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

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

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

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

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

COMPETITION

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

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

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

Measures and Strategies to Address Market Competition and Pricing Pressure

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

The specific measures and strategies are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

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

Warehousing

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

Logistics

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

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

Inventory Management

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

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

INTELLECTUAL PROPERTY

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

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

INFORMATION TECHNOLOGY

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

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

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

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

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

Data Privacy and Security

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

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

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

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

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

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

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

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

EMPLOYEES

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

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

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

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

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

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

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

INSURANCE

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

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

LICENSES, PERMITS AND APPROVALS

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

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

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

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

PROPERTIES

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

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

Owned Land and Properties

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

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

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

Leased Properties

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

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

COMPLIANCE AND LEGAL PROCEEDINGS

Legal Proceedings

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

Compliance Matters

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

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

Outbound Investment Security Program (OISP)

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

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

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

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

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

ESG Governance

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

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

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

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

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

Environment

Environment Protection

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

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

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

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

Addressing Climate Change

Low-Carbon Management

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

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

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

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

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

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

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

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

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

- Green electricity procured amounted to 5,736 MWh.

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

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

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

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

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

Notes:

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

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

Resource Utilization and Management

Resource Utilization

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

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

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

Energy Management

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

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

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

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

Water Resource Management

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

Recycled Economy

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

Emission and Waste Management

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

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

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

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

Air Emissions Management

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

Wastewater Management

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

Waste Management

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

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

Noise Emissions Management

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

Society

Sustainable Supply Chain

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

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

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

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

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

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

Conflict Minerals Management

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

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

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

Occupational Health and Safety

Safety management

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

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

Occupational Health

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

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

Employee Rights Protection

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

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

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

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

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

Talent Management and Development

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

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

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

Social Responsibility

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

TRANSFER PRICING

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

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

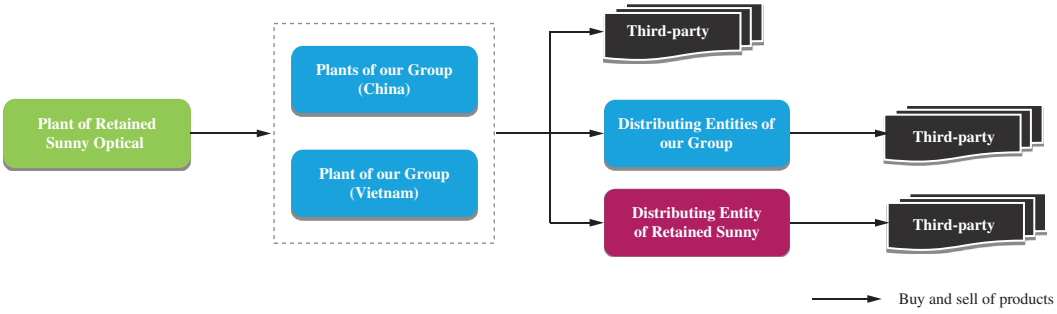
- Manufacturing business — between our Group and the Retained Sunny Optical Technology Group — Supply of products from the plant of Retained Sunny Optical Technology Group to the plants of our Group in China and Vietnam and the manufacturing entity supplying the products was selected as the tested party.

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

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

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

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



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

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Operational Risk Management

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

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

Financial Reporting Risk Management

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

Information System Risk Management

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

Regulatory Compliance Risk Management

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

Internal Control Risk Management

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

Human Resources Risk Management

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

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

Credit Risk Management

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

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

Internal Audit

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

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

AWARDS AND RECOGNITIONS

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

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

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

OUR CONNECTED PERSON

Upon completion of the [**REDACTED**] and [**REDACTED**], the following connected persons of our Company will conduct non-exempted or partially exempted transactions with our Group:

Name	Connected relationship
Retained Sunny Optical Technology Group .	Sunny Optical Technology will be interested in approximately [**REDACTED**]% issued shares in the enlarged share capital of our Company upon the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), and therefore will be one of our Controlling Shareholders and a connected person pursuant to Chapter 14A of the Listing Rules.
Ningbo Sunny Precision Industry Co., Ltd. (寧波舜宇精工股份有限公司) ("**Sunny Precision**" and, together with its subsidiaries, "**Sunny Precision Group**") .	A company listed on the Beijing Stock Exchange (stock code: 920906) and owned by Mr. Ni Wenjun, our non-executive Director, as to 30% or more as of the Latest Practicable Date.

OUR FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

1. Trademark Licensing Agreement

We entered into a trademark licensing agreement (the "**Trademark Licensing Agreement**") with Sunny Group, pursuant to which Sunny Group agreed to grant our Group a license to use certain trademarks which have been registered by Sunny Group in the PRC, Hong Kong, Vietnam and the European Union for our use in connection with our operations on a royalty-free and permanent basis commencing on January 1, 2026.

As Sunny Group is a connected person of our Company, the licensing arrangement as contemplated under the Trademark Licensing Agreement will constitute a continuing connected transaction upon [**REDACTED**]. As the license of the trademarks granted by Sunny Group to us is on a royalty-free basis, the transactions under the Trademark Licensing Agreement fall within the *de minimis* threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We believe that entering into the Trademark Licensing Agreement for a duration of more than three years can ensure the stability of the operations of our Group, and is in the interest of our Company and our Shareholders as a whole and will be beneficial to our Group. The Joint Sponsors are of the view that nothing causes them to believe that it is not a normal business practice for similar trademark licensing agreements to be of a term of longer than three years.

2. Supply of Products to Sunny Precision Group

We supply, among others, parts to Sunny Precision Group in the ordinary course of business. The pricing is determined between Sunny Precision Group and our Group based on arm's length negotiations by reference to, among others, the market price of the products supplied and the costs of the products to our Group and shall be in line with the terms offered by our Group to other customers who are Independent Third Parties for similar products. It is expected that we will continue to supply the relevant products to Sunny Precision Group after [**REDACTED**], which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of these transactions are expected to be less than 0.1% on an annual basis, the supply of the relevant products by us to Sunny Precision Group will constitute a de minimis continuing connected transaction and will be exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

ONE-OFF CONNECTED TRANSACTION

Our Group has entered into certain property leasing agreements with members of Retained Sunny Optical Technology Group, pursuant to which the Group has rented certain properties located in the production park of Retained Sunny Optical Technology Group in Yuyao, Zhejiang, China, for its production in the PRC (the "**PRC Property Leasing Agreements**"), while all the production lines, facilities and machinery for manufacturing are independently owned by our Group. There are no shared operations, functions or production personnel between our Group and the Retained Sunny Optical Technology Group on the premises. The PRC Property Leasing Agreements have been entered into on normal commercial terms or better and in the ordinary course of business of our Group. We believe that the leasing arrangements prescribed under the PRC Property Leasing Agreements will enable us to leverage the property resources within the production park of Retained Sunny Optical Technology Group to satisfy our own operational need and to ensure the continuing smooth operation of our Group, which is in the interests of our Group and our Shareholders as a whole.

In accordance with IFRS 16 "Leases", the leases under the Property Leasing Agreements are recognized as right-of-use assets on our balance sheet. Therefore, entering into the Property Leasing Agreements will be regarded as the acquisition of capital assets and one-off connected transactions, rather than continuing connected transactions. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

OUR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We entered into the following transactions with the above-mentioned connected persons that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon [**REDACTED**]:

Nature of transaction	Counterparty	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending December 31,		
				2026	2027	2028
				RMB in millions		
Partially Exempt Continuing Connected Transactions						
Sunny Optical Technology Product Supply Framework Agreement	Retained Sunny Optical Technology Group	14A.35, 14A.53 and 14A.105	Announcement requirements	190.0	224.0	290.0
Vietnam Property Leasing Framework Agreement	Retained Sunny Optical Technology Group	14A.35, 14A.53 and 14A.105	Announcement requirements	14.0	20.0	24.0

Nature of transaction	Counterparty	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending December 31, 2026	2027	2028
				RMB in millions		
Sunny Precision Product Procurement Framework Agreement	Sunny Precision Group	14A.35, 14A.53 and 14A.105	Announcement requirements	13.0	15.0	18.0
Non-Exempt Continuing Connected Transaction						
Sunny Optical Technology Product and Services Procurement Framework Agreement	Retained Sunny Optical Technology Group	14A.35, 14A.36, 14A.52, 14A.53 and 14A.105	Announcement, independent shareholders' approval, circular	1,124.0	1,380.0	1,875.0

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Sunny Optical Technology Product Supply Framework Agreement

Principal terms

On [●], we entered into a product supply framework agreement (the "**Sunny Optical Technology Product Supply Framework Agreement**") with Sunny Optical Technology (for itself and on behalf of Retained Sunny Optical Technology Group), pursuant to which we will supply certain vehicle-related optical products to Retained Sunny Optical Technology Group for further on-sales in certain overseas markets where the Retained Sunny Optical Technology Group has a local presence, in particular the Japanese market. In return, the Retained Sunny Optical Technology Group shall pay the purchase price to our Company in accordance with the Sunny Optical Technology Product Supply Framework Agreement. The initial term of the Sunny Optical Technology Product Supply Framework Agreement will commence on the [**REDACTED**] and end on December 31, 2028, subject to renewal upon mutual consent by the parties.

Reasons for the transaction

Certain customers in overseas markets, primarily those in Japan, may, from time to time, raise specific requests to purchase our products through local outlets primarily due to their own internal policies. In this connection, the transactions under the Sunny Optical Technology Product Supply Framework Agreement are carried out with a view to responding to such specific requests from the customers by leveraging the existing expansive global presence of the Retained Sunny Optical Technology Group, which it has developed in the ordinary course of its retained business, as well as further promoting and extending our product outreach to overseas markets where we may not have developed local outlets. On-sales of our vehicle-related products does not amount to a material portion of Retained Sunny Optical Technology Group's business in Japan. We believe that such arrangements will further expand our business and enhance our global profile. Depending on our negotiations with end customers, the amount of transactions in the relevant overseas markets and business feasibility, we aim to establish independent local entities and operations to enable transactions with end customers directly.

Pricing policies

The prices for the products we supply to the Retained Sunny Optical Technology Group shall be determined between the Retained Sunny Optical Technology Group and us based on arm's length negotiations, and shall be based on the costs of the products and purchase priced paid by end customers, with a reasonable margin thereof to be paid to Retained Sunny Optical Technology

Group. The purchase price paid by Retained Sunny Optical Technology is no more favorable than the prices offered by our Group to other customers who are Independent Third Parties for similar products. We will collect and monitor market information of prices of comparable products, and conduct review of the pricing of similar products on a regular basis to ensure that the purchase price payable by Retained Sunny Optical Technology Group to us are on normal commercial terms or better and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	(RMB million)			
Supply of products to the Retained Sunny Optical Technology Group	89.6	151.3	203.0	103.7

Annual caps and basis of caps

The maximum aggregate annual transaction amounts under the Sunny Optical Technology Product Supply Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ending December 31,		
	2026	2027	2028
	(RMB million)		
Supply of products to Retained Sunny Optical Technology Group	190.0	224.0	290.0

The above proposed annual caps of sales of products by our Group to Retained Sunny Optical Technology Group are determined with reference to:

(a) the historical transaction amounts and the growing trend during the Track Record Period, taking into account the estimated portion our Group's total revenue from Japan;

(b) the estimated demands for the products for our sales in certain overseas markets, primarily Japan, for the three years ending December 31, 2028, which are expected to increase at a steady pace to meet increasing consumer needs with reference to the trend observed during the Track Record Period; and

(c) other factors including but not limited to the expected increase in the costs and expenses relating to labor and market trends.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Sunny Optical Technology Product Supply Framework Agreements for each of the three years ending December 31, 2028 calculated for the purposes of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [**REDACTED**], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

2. Vietnam Property Leasing Framework Agreement

Principal terms

On [●] 2026, we entered into a framework agreement (the "**Vietnam Property Leasing Framework Agreement**") with Sunny Optical Technology (for itself and on behalf of Retained Sunny Optical Technology Group), pursuant to which our Group agreed to lease certain premises in Vietnam to Retained Sunny Optical Technology Group and Retained Sunny Optical Technology Group agreed to pay rent to our Group in accordance with lease agreements and pursuant to the Vietnam Property Leasing Framework Agreement. The initial term of the Vietnam Property Leasing Framework Agreement will commence on the [**REDACTED**] and end on December 31, 2028, subject to renewal upon mutual consent by the parties. The principal terms of the lease agreement under the Vietnam Property Leasing Framework Agreement are set out as follows:

Date of Agreement	Lessor	Lessee	Term	Location	Area	Rent
June 26, 2025 as supplemented on June 1, 2026	SAOV	Sunny Optical Intelligence (Vietnam) Co., Ltd.	July 1, 2025 to June 30, 2030	Sections A3.1, A3.2, A3.3 and A11 of B-2-1 and B-2-2, WHA Industrial Zone 1 — Nghe An (Phase 2), Nghi Dong Commune, Nghi Loc District, Nghe An Province, Vietnam	19,696m^2	Approximately VND5,396.7 million (approximately HK$1.60 million) per quarter
June 1, 2026 . . .	SAOV	Sunny Optical Intelligence (Vietnam) Co., Ltd.	June 1, 2026 to June 30, 2030	Sections A2.2 and A2.3 of B-2-1 and B-2-2, WHA Industrial Zone 1 — Nghe An (Phase 2), Nghi Dong Commune, Nghi Loc District, Nghe An Province, Vietnam	2,626 m^2	Approximately VMD723.2 million per quarter (approximately HK$217,004 per quarter) per quarter
July 1, 2026 . . .	SAOV	Sunny Optical Intelligence (Vietnam) Co., Ltd.	July 1, 2026 to March 31, 2031	Sections 7.1, 7.2 and 7.3 of B-2-1 and B-2-2, WHA Industrial Zone 1 — Nghe An (Phase 2), Nghi Dong Commune, Nghi Loc District, Nghe An Province, Vietnam	6,133 m^2	Approximately VND1,662.0 million (approximately HK$498,807) per quarter

Reasons for the transaction

Retained Sunny Optical Technology Group has been using premises of SAOV as an overseas production hub with a view to expanding its footprint in overseas markets, while all the production lines, facilities and machinery for production are owned by Retained Sunny Optical Technology Group. There are no shared operations, functions or production personnel between our Group and the Retained Sunny Optical Technology Group on the premises. As such, our Group will retain property interests in the premises and may adapt the premises for other purposes if our local business in Vietnam expands.

Pricing policies

The rent payable by Retained Sunny Optical Technology Group to us will be determined after arm's length negotiation with reference to, among others, term of the lease, and size and location of the leased premises as well as the market rates charged by lessors who are Independent Third Parties for lease of comparable properties in similar locations. We will refer to rent for comparable properties in similar locations to ensure that the rent payable by Retained Sunny Optical Technology Group to us is consistent with prevailing market rates, on normal commercial terms or better and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	(RMB million)			
Lease of properties in Vietnam to Retained Sunny Optical Technology Group	–	–	2.9	3.1

Annual caps and basis of caps

The maximum aggregate annual transaction amounts under the Vietnam Property Leasing Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ending December 31,		
	2026	2027	2028
	(RMB million)		
Lease of properties in Vietnam to Retained Sunny Optical Technology Group	14.0	20.0	24.0

The above proposed annual caps of the property leasing provided by our Group to Retained Sunny Optical Technology Group are determined with reference to:

(a) the agreed rent payable by Retained Sunny Optical Technology Group to us under the existing lease agreement, which is expected to be renewed by mutual agreement;

(b) expected rent increases in line with the prevailing market rents of comparable properties in Vietnam; and

(c) our Group commenced its leasing arrangements with the Retained Sunny Optical Technology Group since June 2025 and leased an area of approximately 20,000m^2. The Group expects to lease additional properties of up to a total area of approximately 47,500m^2 in 2026, resulting in a total floor area of up to approximately 67,500m^2 in 2026. While we do not currently expect to substantially increase the total lease area in 2027, we expect to lease a total floor area of approximately up to 80,000m^2 in 2028 to Retained Sunny Optical Technology Group in accordance with the operational needs of Retained Sunny Optical Technology Group given its plans to further expand its operations in Vietnam as part of its overseas business strategy.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Vietnam Property Leasing Framework Agreement for each of the three years ending December 31, 2028 calculated for the purposes of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [**REDACTED**], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

3. Sunny Precision Product Procurement Framework Agreement

Principal terms

On [●], we entered into a product procurement framework agreement (the "**Sunny Precision Product Procurement Framework Agreement**") with Sunny Precision (for itself and on behalf of Sunny Precision Group), pursuant to which we will procure structural components, primarily mounts and shells, from Sunny Precision Group. The initial term of the Sunny Precision Product Procurement Framework Agreement will commence on the [**REDACTED**] and end on December 31, 2028, subject to renewal upon mutual consent by the parties.

Reasons for the transaction

The transactions are carried out under the Sunny Precision Product Procurement Framework Agreement with a view to leveraging the established manufacturing capacity of Sunny Precision Group, thereby enhancing economies of scale and increasing cost efficiency. Sunny Precision Group also has established quality control system and is able to supply high-quality material to us to meet our production needs. In addition, we have historically cooperated with Sunny Precision Group, which is familiar with the specifications required by us.

Pricing policies

Most of the products procured by us from Sunny Precision Group are customized components at specific demand of our end customers. As such, we usually conduct detailed assessment of Sunny Precision Group taking into account various factors including relevant expertise, capacity, resources committed, and familiarity of our business needs. The prices for such products procured are determined based on arm's length negotiations between the parties with reference to the specific products procured, labor costs, raw material costs, production costs and the prevailing market price for similar products, and shall be no less favorable than those for transactions between our Group and Independent Third Parties under the same conditions. We will also make inquiries on the prices

charged by Independent Third Parties for similar products to assess the prevailing market rates for price comparison to ensure that the purchase price payable by us are on normal commercial terms or better and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
		(RMB million)		
Procurement of products from Sunny Precision Group	2.1	24.6[(1)]	24.5	4.1

Note:

(1) In 2024, we commenced mass production of a new optical product developed specifically at the request of a customer, and procured certain structural components needed for such solution from Sunny Precision Group taking into account its expertise in this regard. Accordingly, there was a substantial increase in historical transaction amount for the year ended December 31, 2024 and thereafter.

Annual caps and basis of caps

The maximum aggregate annual transaction amounts under the Sunny Precision Product Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ending December 31,		
	2026	2027	2028
		(RMB million)	
Procurement of products from Sunny Precision Group	13.0	15.0	18.0

The above proposed annual caps of procurements of products provided by Sunny Precision Group are determined with reference to:

(a) that certain of our end customers who had previously required us to incorporate structural components from Sunny Precision Group in our products no longer had such requirement since 2025; and

(b) the estimated procurement amount required to meet our production needs for the three years ending December 31, 2028, which are expected to increase at a steady pace in line with the business expansion of our Group during this period.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Sunny Precision Product Supply Framework Agreements for each of the three years ending December 31, 2028 calculated for the purposes of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [**REDACTED**], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Sunny Optical Technology Product and Services Procurement Framework Agreement

Principal terms

On [●], we entered into a product and services procurement framework Agreement (the "**Sunny Optical Technology Product and Services Procurement Framework Agreement**") with Sunny Optical Technology (for itself and on behalf of the Retained Sunny Optical Technology Group), pursuant to which we will procure (i) certain products including raw materials and instruments from Retained Sunny Optical Technology Group and (ii) services including certain ancillary services such as ad-hoc technology research services, client maintenance and marketing services from Retained Sunny Optical Technology Group. In return, our Group shall pay the purchase price in accordance with the Sunny Optical Technology Product and Services Procurement Framework Agreement. The initial term of the Sunny Optical Technology Product and Services Procurement Framework Agreement will commence on the [**REDACTED**] and end on December 31, 2028, subject to renewal upon mutual consent by the parties.

Reasons for the transaction

The procurement of products pursuant to the Sunny Optical Technology Product and Services Procurement Framework Agreement is conducted with a view to leveraging the quality control system of Retained Sunny Optical Technology Group, which conducts quality inspections on the products prior to sale to us. Products procured from Retained Sunny Optical Technology Group have better quality and reliability compared to those we could directly procure from ultimate suppliers, which reduces our inspection costs and product defect rates and is cost-efficient and beneficial for our Group. The procurement of services pursuant to the Sunny Optical Technology Product and Services Procurement Framework Agreement also benefits our Group as Retained Sunny Optical Technology Group is familiar with the standards of our Group and is therefore better able to tailor their services to satisfy our Group's business needs compared to other suppliers of similar services.

Pricing policies

The prices for the products are determined on an arm's length negotiation and are no less favorable than the prices offered by Retained Sunny Optical Technology Group to other customers who are Independent Third Parties for similar products and services. In particular, we procure products (including raw materials, and standard components and devices) through open tender, which generally include at least three bidders (including at least two independent suppliers) each time. The amount payable by us to the Retained Sunny Optical Technology Group under the Sunny Optical Technology Product and Services Procurement Framework Agreement will be determined through the bidding process involving the Retained Sunny Optical Technology Group and other bidders according to our procurement procedures and policies. We will compare quotes offered by at least two independent suppliers for products of the same or similar quality. During the public tender, we will also consider bidding price, product quality, reliability and specifications, production scale and capacity, and product delivery time provided by the bidders. Any successful

bids from the Retained Sunny Optical Technology Group should not be less favorable to us than bids from other suppliers which will be subject to approval of our procurement department. After a successful bid by the Retained Sunny Optical Technology Group, we will enter into an individual agreement on terms determined on an arm's length basis.

For procurement of customized components and devices as well as services, we will conduct detailed assessment of each supplier taking into account various factors including relevant expertise, capacity, resources committed, familiarity of our business needs and potential business synergy. We will also with a view to ensuring that the purchase prices and service fees payable by us to Retained Sunny Optical Technology Group are on normal commercial terms or better and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	(RMB million)			
Procurement of products and services from Retained Sunny Optical Technology Group	511.2	530.7	620.4	328.8

Annual caps and basis of caps

The maximum aggregate annual transaction amounts under the Sunny Optical Technology Product and Services Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ending December 31,		
	2026	2027	2028
	(RMB million)		
Procurement of products and services from Retained Sunny Optical Technology Group	1,124.0	1,380.0	1,875.0

The above proposed annual caps of procurements of products and services provided by Retained Sunny Optical Technology Group are determined with reference to:

(a) the historical transaction amounts and the growing trend during the Track Record Period;

(b) given that non-spherical glass is a basic component widely used by various optical products, including non-vehicle related optical solutions in smartphone and XR, the production capacity and resources of non-spherical glass has been consolidated into the Retained Sunny Optical Technology Group as part of the Sunny Optical Technology Group's strategic business adjustment to enable our Group to leverage Retained Sunny Optical Technology Group's existing management and organizational structure and the economies of scale of its production capacity, therefore generating cost economies for our Group's procurement. As such, our Group started to procure non-spherical glass

from Retained Sunny Optical Technology Group, rather than producing non-spherical glass in-house in December 2025. Accordingly, the above annual caps have also taken into account the expected increase in procurement of non-spherical glass by our Group from the Retained Sunny Optical Technology Group. For the years ended December 31, 2023, 2024 and 2025, the value of the in-house non-spherical glass utilized by us was approximately RMB299.2 million, RMB321.0 million and RMB282.1 million, respectively. While we consider the purchase of nonspherical glass from the Retained Sunny Optical Technology Group to be in the interest of our Company and Shareholders in light of their quality products and better understanding of our operational need, we expect that alternative suppliers are also readily available on comparable commercial terms; and

(c) the estimated amount of raw materials and equipment and technology research services, client maintenance and marketing services for our production and operational needs for the three years ending December 31, 2028, which are expected to increase substantially to meet increasing consumer needs and the needs of our further business development.

Listing Rules Implications

In respect of the transactions as described above under the Sunny Optical Technology Product and Services Procurement Framework Agreement, the highest applicable percentage ratio (other than profits ratio) is expected to exceed 5%, on an annual basis. Such transactions will, upon [**REDACTED**], constitute continuing connected transactions of the Company subject to the annual reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed "— Partially-exempt continuing connected transactions" and "— Non-exempt continuing connected transactions" will constitute our continuing connected transactions subject to (i) reporting, annual review and announcement requirements and (ii) reporting, annual review, announcement, circular and independent Shareholders' approval requirements, respectively, under Chapter 14A of the Listing Rules. As these non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that compliance with such requirements would be impractical and lead to unnecessary administrative costs and would be unduly burdensome to us. Accordingly, we have applied to the Stock Exchange for waivers exempting us from strict compliance pursuant to Rule 14A.105 of the Listing Rules. Apart from the above waivers sought on the strict compliance of the announcement, and where applicable, circular and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Sunny Optical Technology Product Supply Framework Agreement, Vietnam Property Leasing Framework Agreement and Sunny Precision Product Procurement Framework Agreement

In respect of the Sunny Optical Technology Product Supply Framework Agreement, Vietnam Property Leasing Framework Agreement and Sunny Precision Product Procurement Framework Agreement, since the highest applicable percentage ratio calculated for the purposes of Chapter 14A of the Listing Rules for each of the three years ending December 31, 2028 is expected to exceed 0.1%, but less than 5% on an annual basis, the transactions contemplated thereunder are exempt from the circular and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of these transactions, provided that the total values of these transactions for each of the three years ending December 31, 2028 will not exceed the relevant proposed annual caps above.

Sunny Optical Technology Product and Services Procurement Framework Agreement

In respect of the Sunny Optical Technology Product and Services Procurement Framework Agreement, since the highest applicable percentage ratios calculated for the purposes of Chapter 14A of the Listing Rules for each of the three years ending December 31, 2028 are expected to exceed 5% on an annual basis, the transactions contemplated thereunder are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent Shareholders' approval requirements under the Listing Rules in respect of these transactions, provided that the total amount of transactions for each of the three years ending December 31, 2028 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of our Company will review whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be carried out in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by our Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from our Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group. Based on the above, the Joint Sponsors are of the view that the aforesaid non-exempt continuing connected transactions, for which waivers have been sought, have been and will be carried out in the ordinary and usual course of our business on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

(a) we have approved and adopted internal procedures and internal guidelines, which provide that, among others, relevant departments of our Group must regularly collect information on connected persons, review and evaluate all potential connected transactions for their financial impact, including by engaging independent advisors for material connected transactions where appropriate, and monitor and evaluate how connected transactions are carried out;

(b) our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing it on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreement governing the transactions in all material respects or have exceeded the cap;

(c) when considering the fees and amounts payable by our Group in respect of transactions with our connected persons, we will regularly review and consider the prevailing market conditions and practices, and refer to the pricing and terms between us and independent third parties for comparable services or similar transactions (if available), to make sure that the terms and conditions offered by/to our connected persons based on commercial negotiations are fair and reasonable and are based on normal commercial terms or no less favorable terms to our Group; and

(d) when considering any renewal or revision to the agreements after [**REDACTED**], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the agreements to the extent that they constitute the partially exempt and non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

OVERVIEW

Upon [**REDACTED**], our Board will consist of eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. None of our Directors are related to other Directors or members of senior management. Our Directors serve a term of three years and shall be subject to re-election upon the expiry of their respective term of office.

In accordance with the applicable PRC laws and regulation, our Company will no longer have any supervisor upon [**REDACTED**].

The senior management of our Company is responsible for the day-to-day management of our business. None of the members of senior management are related to our Directors or other members of senior management.

DIRECTORS

The following table sets out certain information in respect of our Directors.

Name	Age	Position(s)	Time of first joining our Group[Note]	Time of first appointment as Director	Roles and responsibilities
Xie Qiansen (謝前森)	44	Executive Director and joint president	July 2007	November 2025	Responsible for the strategic planning, business direction and daily operations and management of our Group
Zhang Kouwen (張扣文)	48	Executive Director and joint president	July 2001	January 2026	Responsible for the strategic planning, business direction and daily operations and management of our Group
Wang Wenjie (王文杰)	58	Non-executive Director and chairman of the Board	August 1989	November 2025	Responsible for providing guidance for the strategic planning of our Group
Ni Wenjun (倪文軍)	57	Non-executive Director and vice chairman of the Board	December 1985	November 2025	Responsible for providing guidance for the strategic planning of our Group
Shao Yang Dong (邵仰東)	57	Non-executive Director and vice chairman of the Board	May 2005	January 2026	Responsible for providing guidance for the strategic planning of our Group
Wong Sau Pik (黃繡碧)	63	Independent non-executive Director	[**REDACTED**]	January 2026 (with effect from the [**REDACTED**])	Responsible for providing independent opinion and judgment to the Board
Wu Wenguang (武文光)	56	Independent non-executive Director	[**REDACTED**]	January 2026 (with effect from the [**REDACTED**])	Responsible for providing independent opinion and judgment to the Board

Name	Age	Position(s)	Time of first joining our Group[Note]	Time of first appointment as Director	Roles and responsibilities
Bai Jian (白劍)	59	Independent non-executive Director	[**REDACTED**]	January 2026 (with effect from the [**REDACTED**])	Responsible for providing independent opinion and judgment to the Board

Note: Denotes the time from which the relevant Director first joined Sunny Optical Technology Group (for the purpose of this note, the term Sunny Optical Technology Group here includes our Group).

Executive Directors

Mr. Xie Qiansen (謝前森), aged 44, is an executive Director and joint president of our Company. He is primarily responsible for the strategic planning, business direction and daily operations and management of our Group.

Mr. Xie served as engineer at Sunny Optical Technology from July 2007 to June 2011. He served at Sunny Zhejiang Optics from June 2011 to January 2014, with his last position being the deputy director of vehicle lens department. Mr. Xie served at Sunny Automotive Optech since February 2014, including as general manager since November 2025.

Mr. Xie obtained his bachelor's degree in applied physics from Zhejiang University of Technology (浙江工業大學) in the PRC in June 2005, his master's degree in physics and PhD degree in information and electronic engineering from Zhejiang University (浙江大學) in the PRC in June 2007 and March 2024, respectively. Mr. Xie obtained the qualification of senior engineer of optical technology from Zhejiang Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in April 2024.

Mr. Xie received the Zhejiang Science and Technology Award — Third Prize and the Zhejiang Technological Invention Award — Third Prize from the People's Government of Zhejiang Province in 2012 and 2017, respectively. He received Zhejiang Scientific and Technological Progress Award — Third Prize from the People's Government of Zhejiang Province in 2020.

Mr. Xie was recognized as Zhejiang Youth Entrepreneurship Mentor (浙江青年創業導師) by the Secretariat of the Zhejiang Youth Entrepreneurship Mentors Group (浙江青年創業導師團秘書處) and the Zhejiang Youth Entrepreneurship and Employment Foundation (浙江省青年創業就業基金會) in April 2023.

Mr. Zhang Kouwen (張扣文), aged 48, is an executive Director and joint president of our Company. He is primarily responsible for the strategic planning, business direction and daily operations and management of our Group.

Mr. Zhang served as the division technical director of the lens division of Sunny Zhejiang Optics from July 2001 to December 2005. He served at Ningbo Sunny Optech Co., Ltd. (寧波舜宇光電信息有限公司) from January 2006 to August 2015, where he served as technical division director, product development division director, marketing division director and assistant to the general manager. Mr. Zhang served as the executive deputy general manager of Sunny SmartLead from September 2015 to December 2016. He served as the deputy general manager of Zhejiang Sunny Optical Intelligence Technology Co., Ltd. (浙江舜宇智能光學技術有限公司) from January 2017 to September 2018. Mr. Zhang served at Sunny SmartLead since September 2018, where he successively held the position of executive deputy general manager and general manager.

Mr. Zhang obtained his bachelor's degree in measurement technology and instruments and his master's degree in optical engineering from Changchun University of Science and Technology (長春理工大學) in the PRC in July 2001 and June 2010, respectively. Mr. Zhang received the qualification of Senior Engineer from the Zhejiang Human Resources and Social Security Department in October 2018.

Mr. Zhang received the Yuyao Science and Technology Progress Award — First Prize from the Yuyao Municipal People's Government (餘姚市人民政府) in November 2008. Mr. Zhang received the Ningbo Science and Technology Award — Second Prize and Ningbo Science and Technology Award — Third Prize from the Ningbo Municipal People's Government in January 2013 and January 2012, respectively. Mr. Zhang also received the Zhejiang Science and Technology Award — Third Prize from the People's Government of Zhejiang Province (浙江省人民政府) in 2012. Mr. Zhang also received the Zhejiang Science and Technology Award — Second Prize from the People's Government of Zhejiang Province in 2013. Mr. Zhang received the All-China Federation of Industry and Commerce Science and Technology Progress Award — First Prize in December 2014. Mr. Zhang received the Ningbo Science and Technology Award — Second Prize from the Ningbo Municipal People's Government and the Zhejiang Science and Technology Progress Award — Third Prize from the People's Government of Zhejiang Province in 2015. He received the Ningbo Science and Technology Progress Award — First Prize from the Ningbo Municipal People's Government in June 2023.

Mr. Zhang was selected as a key funding recipient and tier-one candidate under the Ningbo Leading and Top Talent Development Program (寧波市領軍和拔尖人才培養工程重點資助和第一層次培養人選) by the Ningbo Human Resources and Social Security Bureau (寧波市人力資源和社會保障局) in August 2015. Mr. Zhang was selected as a tier-three nurtured talent for the Zhejiang 151 Talent Project (浙江省151人才工程培養人員(第三層次)) in November 2015 and as tier-two nurtured talent for the Zhejiang 151 Talent Project (Tier 2) (2018年浙江省151人才工程培養人員(第二層次)) in 2018 by Zhejiang Human Resources and Social Security Department.

Non-executive Directors

Mr. Wang Wenjie (王文杰), aged 58, is a non-executive Director and the chairman of the Board of our Company. Mr. Wang is primarily responsible for providing guidance for the strategic planning of our Group. Mr. Wang has served at Sunny Optical Technology since August 1989, including as executive director and chief executive officer since December 2013 and November 2024, respectively.

Mr. Wang obtained his bachelor's degree in engineering from the Department of Optical Instrumentation Engineering (currently known as College of Optical Science and Engineering) of Zhejiang University (浙江大學) in the PRC in June 1989. He received the qualification of chief senior economist from the Zhejiang Human Resources and Social Security Department in December 2022.

Mr. Wang was recognized as the 11th Ningbo Outstanding Entrepreneur (第十一屆寧波市優秀企業家) by the Ningbo Enterprise Confederation (寧波市企業聯合會), Ningbo Entrepreneurs Association (寧波市企業家協會), and Ningbo Federation of Industrial Economics (寧波市工業經濟聯合會) in July 2012. He was awarded as the 2014 Zhejiang Entrepreneur "Bole Award" (浙江省企業家"伯樂獎") by the Zhejiang Enterprise Confederation (浙江省企業聯合會), Zhejiang Entrepreneurs Association (浙江省企業家協會) and Zhejiang Professional Managers Association (浙江省職業經理人協會) in November 2014. He was recognized as the 20th "Zhejiang Provincial Management Master" (第二十屆"浙江省經營管理大師") by the Management Research Association of Zhejiang Province (浙江省經營管理研究會) in December 2014. He was recognized as 2025 Science Entrepreneur of Zhejiang Province (2025年度浙江省科學企業家) in May 2025.

Mr. Wang has served as deputy chairman of the Chinese Optical Society (中國光學學會) since June 2017, deputy president of Optical Society of Zhejiang (浙江省光學學會) since June 2018, director of China Instrument and Control Society (中國儀器儀錶學會) in October 2023, deputy chairman of Zhejiang Instrument and Control Society (浙江省儀器儀錶學會) since October 2024 and deputy president of Zhejiang Association of Technology-Based Entrepreneurs (浙江省科技型企業家聯合會) since May 2025.

Mr. Ni Wenjun (倪文軍), aged 57, is a non-executive Director and the vice chairman of the Board of our Company. Mr. Ni is primarily responsible for providing guidance for the strategic planning of our Group.

Mr. Ni has extensive experience in management in the manufacturing industry. Mr. Ni has served as chairman and director of Ningbo Sunny Precision Industry Co., Ltd. (寧波舜宇精工股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 920906), since December 2019. Mr. Ni has served as managing partner of Ningbo Wanshun Investment Management Partnership Enterprise (Limited Partnership) (寧波萬舜投資管理合夥企業(有限合夥)) since July 2015, chairman of Zhejiang Aimle Car Electric Technology Co., Ltd. (浙江艾姆勒車電科技有限公司) since November 2021 and chairman of Suzhou Zhongyao Technology Co., Ltd. (蘇州中耀科技有限公司) since February 2022. He also served as chairman of Hangzhou Shunli Optoelectronics Technology Co., Ltd. (杭州舜立光電科技有限公司) from February 2018 to February 2024, director of Ningbo Shuncheng Intelligent Technology Co., Ltd. (寧波舜成智能科技有限公司) from October 2018 to July 2020. Mr. Ni served as executive director of Ningbo Sunny Precision Inspection Co., Ltd. (寧波舜宇精工檢測有限公司) from June 2023 to October 2024. Mr. Ni has served as executive director and executive president of Sunny Optical Technology since July 2025 and January 2026, respectively.

Mr. Ni obtained his master's degree in business administration from Xiamen University (廈門大學) in the PRC in June 2017. Mr. Ni received the qualification of senior economist from the Ningbo Municipal People's Government in October 2004.

Mr. Ni was recognized as Top Ten Outstanding Figures in Industrial Economic Entrepreneurship and Innovation of Yuyao City (餘姚市十佳工業經濟創業創新傑出人物) in 2014. He was appointed as vice chairman of the Yuyao Economic Development Zone Association for Science and Technology (餘姚市經濟開發區科學技術協會副主席) in June 2022. Mr. Ni was appointed as president of the Yuyao Economic Development Zone Chamber of Commerce (餘姚市經濟開發區商會會長) in May 2023. Mr. Ni also serves as standing committee member of the tenth executive committee and vice president of the Yuyao Federation of Industry and Commerce (General Chamber of Commerce) (餘姚市工商聯(總商會)) in January 2022 and January 2024, respectively.

Mr. Shao Yang Dong (邵仰東), aged 57, is a non-executive Director and the vice chairman of the Board of our Company. Mr. Shao is primarily responsible for providing guidance for the strategic planning of our Group.

Mr. Shao was a managing director of Chengwei Ventures Evergreen Fund, L.P. and previously worked as a financial analyst at the investment banking division of Salomon Brothers Inc.. Mr. Shao served as non-executive director of AAC Technologies Holdings Inc., a company listed on the Stock Exchange (stock code: 2018), from March 2004 to February 2007. Mr. Shao served as director of each of Sunny Zhejiang Optics and Ningbo Sunny Instruments Co., Ltd. (寧波舜宇儀器有限公司) from May 2005 to September 2010, Sunny Optics (Zhongshan) Co., Ltd. (舜宇光學(中山)有限公司) from October 2005 to September 2010, Ningbo Sunny Optech Co., Ltd. (寧波舜宇光電信息有限公司) from November 2005 to September 2010 and Ningbo Sunny Infrared Technologies Co., Ltd. (寧波舜宇紅外技術有限公司) from March 2006 to September 2010. Mr. Shao served as a non-executive director of Sunny Optical Technology from May 2007 to August 2010. He also served as an independent non-executive director of Sunny Optical Technology from April 2016 to December 2024. Mr. Shao has served as managing director of Yuantai Investment Partners Evergreen Fund, L.P. (元鈦長青基金) since July 2010.

Mr. Shao obtained his bachelor's degree in economics from Columbia University in May 1993 and his master's degree in business administration from Graduate School of Business of Stanford University in June 2000.

Independent Non-executive Directors

Ms. Wong Sau Pik (黃繡碧), aged 63, is our independent non-executive Director. Ms. Wong is primarily responsible for providing independent opinion and judgment to the Board.

Ms. Wong served at Ernst & Young from 1985 to 2023, with her last position being the assurance partner of Ernst & Young Hong Kong. Ms. Wong has served as independent non-executive director of Singamas Container Holdings Limited (勝獅貨櫃企業有限公司), a company listed on the Stock Exchange (stock code: 716), since June 2024. She has over 30 years of professional experience in auditing and accounting in Hong Kong and Chinese Mainland.

Ms. Wong graduated from the Hong Kong Polytechnic University in 1985. She is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants ("ACCA"). She was also elected the president of the ACCA Hong Kong branch from 2009 to 2010.

Mr. Wu Wenguang (武文光), aged 56, is our independent non-executive Director. Mr. Wu is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Wu held several positions at Yanfeng Automotive Trim Systems Co., Ltd. (延鋒汽車飾件系統有限公司) from July 1995 to April 2008, including process engineer, division director of research department, director of quality control department and senior director of procurement department. Mr. Wu served as China's general manager of Yanfeng Plastic Omnium Automotive Exterior Systems Co., Ltd. (延鋒彼歐汽車外飾系統有限公司) from April 2008 to August 2017. He served as China's general manager of Yanfeng Automotive Interior Systems Co., Ltd. (延鋒汽車內飾系統有限公司) from August 2017 to March 2019. Mr. Wu served as independent director of Chongyi Zhangyuan Tungsten Co., Ltd. (崇義章源鎢業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002378), from June 2020 to May 2023. Mr. Wu served as deputy chief executive officer of Shenyang MXNavi Ltd. (沈陽美行科技股份有限公司) from March 2023 to November 2023. He served as senior vice president of Huaqin Technology Co., Ltd. (華勤技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603296) from January 2024 to July 2024, where he also served as consultant since July 2024.

Mr. Wu is a coach at Polytalent and the founder of Shanghai Rongxiu Hui Management Consulting Co., Ltd. (上海融修慧管理諮詢有限公司). Mr. Wu is also a PhD supervisor at the School of Materials Science and Engineering of Tongji University (同濟大學), and a director of Auto Talents Committee of China Talents Society (中國人才研究會汽車人才專業委員會). Mr. Wu has written for Fobes China (福布斯中國) and Auto Business Review (汽車商業評論).

Mr. Wu obtained his bachelor's degree in polymer materials from Tongji University (同濟大學) in the PRC in July 1995, his master's degree in business administration from Antai College of Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2006 and his PhD degree in industrial economics from Shanghai Academy of Social Sciences (上海社會科學院) in the PRC in June 2015. Mr. Wu received the qualification of senior engineer from Shanghai Human Resources and Social Security Department (上海市人力資源和社會保障廳) in December 2008.

Mr. Wu was recognized as a 2021 China Automotive Industry Influential Figures (2021中國汽車產業影響力人物) by Gasgoo Automotive (蓋世汽車).

Mr. Bai Jian (白劍), aged 59, is our independent non-executive Director. Mr. Bai is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Bai worked at Zhejiang University since September 1995 and currently serves as a professor at the College of Optoelectronic Science and Engineering. Mr. Bai served as independent director of Beilong Precision Technology Co., Ltd. (貝隆精密科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301567), since August 2020. He also served as independent director of HangZhou Everfine Photo-E-Info Co., Ltd. (杭州遠方光電信息股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 300306), since May 2022. He has served as an independent director of Jiangsu Zejing Automotive Electronics Co., Ltd. (江蘇澤景汽車電子股份有限公司) since May 2025.

Mr. Bai obtained his bachelor's degree in computer software in June 1989 and his PhD degree in measurement technology and instruments in September 1995 from Zhejiang University (浙江大學) in the PRC, respectively. Mr. Bai received the qualification professor from the Zhejiang Human Resources and Social Security Department in December 2004.

Mr. Bai was awarded the Zhejiang Science and Technology Award — First Prize by the Zhejiang Provincial People's Government in 2013, Military Scientific and Technological Progress Award — Third Prize from the China Academy of Engineering Physics in 2017, Innovation Invention and Entrepreneurship Award — First Prize from China Association of Inventions in August 2023 and the Science and Technology Progress Award — Second Prize of Zhejiang Province from Zhejiang Provincial People's Government in 2023.

General confirmations

Each of our Directors (excluding independence non-executive Directors) confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Each of our Directors has confirmed that he/she has no other relationship with any other Directors or senior management and none of our Directors has held any other directorships in listed companies during the three years immediately preceding the date of this document.

Save as disclosed above, to the best knowledge of our Directors, there are no other matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders and there is no other information in relation to our Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Each of our Directors has confirmed that he/she obtained legal advice in January 2026 with regard to the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange as set out in Rule 3.09D of the Listing Rules and he/she understood his/her obligations as a director of a listed issuer.

Each of our independent non-executive Directors has confirmed his independence with regards to each of the factors as set out in Rule 3.13(1) to (8) of the Listing Rules and that there are no other factors that may affect his independence at the time of his appointment.

SENIOR MANAGEMENT

The following table sets out the information of members of our senior management.

Name	Age	Position(s)	Time of first joining our Group[Note]	Time of first appointment as senior management	Roles and responsibilities
Xie Qiansen (謝前森)	44	Executive Director and joint president	July 2007	January 2019	Responsible for the strategic planning, business direction and daily operations and management of our Group
Zhang Kouwen (張扣文)	48	Executive Director and joint president	July 2001	January 2019	Responsible for the strategic planning, business direction and daily operations and management of our Group
Wong Wei Hua Derek (王煒華)	54	Chief financial officer	October 2025	October 2025	Responsible for the overall management of financial matters of our Group
Ye Yuqing (葉裕慶)	39	Deputy general manager of Sunny Automotive Optech	July 2009	January 2023	Responsible for the overall management of the manufacturing operations
Gu Yiwu (顧亦武)	42	Deputy general manager of Sunny SmartLead	February 2006	January 2022	Responsible for overseeing product quality matters
Li Haifeng (李海峰)	39	Senior manager of Sunny Automotive Optech	May 2012	August 2025	Responsible for the overall management of marketing operations
Xu Feng (許楓)	48	Senior manager of Sunny SmartLead	July 1999	January 2022	Responsible for the overall management of marketing operations

Note: Denotes the time from which the relevant Director first joined Sunny Optical Technology Group (for the purpose of this note, the term Sunny Optical Technology Group here includes our Group).

Mr. Xie Qiansen (謝前森) is an executive Director and joint president of our Company. For details of his biography, see "— Directors — Executive Directors" in this section.

Mr. Zhang Kouwen (張扣文) is an executive Director and joint president of our Company. For details of his biography, see "— Directors — Executive Directors" in this section.

Mr. Wong Wei Hua Derek (王煒華), aged 54, is the chief financial officer of our Company. He is responsible for the overall management of financial matters of our Group and his appointment enhances our financial and corporate management.

Mr. Wong served as auditor at Ernst & Young from 1996 to 2004. He served as chief financial officer at Vika International Holdings Limited from 2004 to 2008. Mr. Wong served as chief financial officer and company secretary at Ausnutria Dairy Corporation Ltd, a company listed on the Stock Exchange (stock code: 1717), from 2011 to 2023. Mr. Wong has served as an independent non-executive Director of E&P Global Holdings Limited (能源及能量環球控股有限公司), a company listed on the Stock Exchange (stock code 1142) since January 2025.

Mr. Wong obtained his dual bachelor's degree from York University in 1993 and 1995, respectively. Mr. Wong is a member of Hong Kong Institute of Certified Public Accountants (HKICPA).

Mr. Ye Yuqing (葉裕慶), aged 39, is the deputy general manager of Sunny Automotive Optech. He is responsible for the overall management of the manufacturing operations of Sunny Automotive Optech.

Mr. Ye served at Sunny Zhejiang Optics from July 2013 to January 2014, with his last position being technician of mass production. He then served as deputy general manager of Sunny Automotive Optech since February 2014.

Mr. Ye obtained his bachelor's degree in engineering in electrical engineering and automation from the College of Modern Science and Technology of China Jiliang University (中國計量大學現代科技學院) in the PRC in June 2009.

Mr. Gu Yiwu (顧亦武), aged 42, is the deputy general manager of Sunny SmartLead. He is responsible for overseeing the product quality matters of Sunny SmartLead. Mr. Gu served at Ningbo Sunny Optech Information Co., Ltd. (寧波舜宇光電信息有限公司) from February 2006 to August 2015, with his last position being division director. He then served at Sunny SmartLead since November 2015, including as deputy general manager of Sunny SmartLead since January 2022.

Mr. Gu obtained his bachelor's degree in optical information science and technology from Changchun University of Science and Technology (長春理工大學) in the PRC in July 2006 and his engineering master's degree in engineering and project management from Zhejiang University of Technology (浙江工業大學) in the PRC in June 2017.

Mr. Gu obtained the qualification of optoelectronics engineer from Ningbo Municipal People's Government in December 2013. Mr. Gu obtained the qualification of senior optoelectronics engineer from Zhejiang Human Resources and Social Security Department in July 2024. Mr. Gu received the Ningbo Science and Technology Award — Third Prize from Ningbo Municipal People's Government in January 2012 and Zhejiang Science and Technology Award from People's Government of Zhejiang Province in 2012.

Mr. Li Haifeng (李海峰), aged 39, is the senior manager of Sunny Automotive Optech. He is responsible for the overall management of the marketing operations of Sunny Automotive Optech.

Mr. Li served at Sunny Automotive Optech since May 2012, with his last position being senior manager.

Mr. Li obtained his junior college's degree in electronic commerce from Zhejiang Yuying College of Vocational Technology (浙江育英職業技術學院) in the PRC in June 2009. He graduated from Southwest University of Science and Technology (西南科技大學) with a major in business administration by way of distance education. Mr. Li obtained the certificate of accounting professional from the Yuyao Finance Bureau (餘姚市財政局) in May 2006.

Ms. Xu Feng (許楓), aged 48, is the senior manager of Sunny SmartLead. She is responsible for the overall management of the marketing operations of Sunny SmartLead.

Ms. Xu served at Sunny Optical Technology from July 1999 to October 2015, with her last position being assistant to the division director. Ms. Xu has served at Sunny SmartLead since November 2015, including as senior manager since January 2022.

Ms. Xu obtained her bachelor's degree in law from Fujian Normal University (福建師範大學) in the PRC in December 2007 through distance education. Ms. Xu has a background of business English for international trade. In May 2006, Ms. Xu was awarded the Ningbo Rare Talent Development Program Talent Director (寧波市緊缺人才培養工程人才資源主管) by Ningbo Municipal Personnel Bureau (寧波市人事局).

COMPANY SECRETARY

Mr. Wong Wei Hua Derek (王煒華), has been appointed as our company secretary since January 2026. For Mr. Wong's biography, see "— *Senior Management.*"

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Development Committee.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary functions of the Audit Committee include (a) handle the relationship with the Company's auditors, including making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and handling with any questions of its resignation or dismissal; (b) review of the Company's financial information, including monitoring the Company's integrity of financial statements and annual report and accounts, half-year reports, reviewing significant financial reporting judgments contained in them and reviewing connected transactions; and (c) oversight of the Company's financial reporting systems, risk management, and internal control procedures and systems, including reviewing the Company's financial controls, internal control and risk management systems, and discussing the risk management and internal control systems with management to ensure that management has performed its duties to have an effective internal control system. The Audit Committee comprises three members, namely Ms. Wong Sau Pik, Mr. Shao Yang Dong and Mr. Wu Wenguang, with Ms. Wong Sau Pik (being an independent non-executive Director with the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules) as chairperson of the Audit Committee.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary functions of the Remuneration Committee include: (a) assessing the performance of the Directors; (b) making recommendations to the Board on the Company's policy and structure for all the Directors' and senior Management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (c) to review and approve senior management's remuneration proposals with reference to the Board's corporate goals and objectives; (d) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages

should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (e) making recommendations to the Board on the remuneration of non-executive Directors; (f) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; (g) reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive; (h) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and that are otherwise reasonable and appropriate; (i) ensuring that no Director or any of their associate is involved in deciding that Director's own remuneration; and (j) reviewing and/or approving matters relating to share schemes (if any) under Chapter 17 of the Listing Rules. The Remuneration Committee comprises three members, namely Mr. Wu Wenguang, Mr. Ni Wenjun and Ms. Wong Sau Pik, with Mr. Wu Wenguang as chairperson of the Remuneration Committee.

Nomination Committee

We have established the Nomination Committee pursuant to Rule 3.27A of the Listing Rules with written terms of reference set out in the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary functions of the Nomination Committee include: (a) reviewing the structure, size, composition and diversity (including the skills, knowledge, gender, age, cultural and educational background or professional experience) of the Board at least annually; (b) identifying individuals suitably qualified to become members of the Board and may select or make recommendations on the individuals nominated for directorship; (c) assessing the independence of the independent non-executive Directors; (d) making recommendations to the Board and giving full consideration on relevant matters related to the appointment or re-appointment of Directors and succession plan for Directors, in particular, the chairman and chief executive officer; and (e) reviewing the Board diversity policy adopted by the Board on an annual basis and making recommendations to the Board on achieving the measurable objectives of Board diversity and monitoring its progress. The Nomination Committee comprises three members, namely Mr. Bai Jian, Mr. Shao Yang Dong and Ms. Wong Sau Pik, with Mr. Bai as chairperson of the Nomination Committee.

Strategy and Development Committee

We have established the Strategy and Development Committee. The primary functions of the Strategy and Development Committee include advising the Board on the Group's strategies for business development and oversight of environment, social and governance matters. The Strategy and Development Committee comprises five members, namely Mr. Wang Wenjie, Mr. Shao Yang Dong, Mr. Ni Wenjun, Mr. Xie Qiansen and Mr. Zhang Kouwen, with Mr. Wang Wenjie as chairperson of the Strategy Committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. To accomplish this, our Company expects to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the [**REDACTED**] save for the deviation as mentioned below. Any deviation from the code provisions shall be carefully considered, and the reasons for any deviation and explanation of how good corporate governance was achieved by means other than strict compliance with the code provisions shall be given in the interim report and the annual report in respect of relevant period.

Board diversity

Our Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of our Group, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the Board Diversity Policy, the Nomination Committee will periodically make recommendations to the Board as to further measures for adoption.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, research, optics, engineering, and finance and accounting. They received degrees in various majors, including optical engineering, optical information science, information and electronic engineering, measurement technology and instruments, business administration and professional accountancy. We have both male and female members serving on the Board currently. Furthermore, the Board has a wide range of ages, ranging from 44 years old to 63 years old. The Board is of the view that the Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of the Board. Upon the [**REDACTED**], the Nomination Committee will from time to time review the Board Diversity Policy and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. Our Company will disclose the biographical details of each Director and plans to report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in our annual corporate governance report. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board.

Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules — Waiver in respect of Management Presence in Hong Kong" for further details.

REMUNERATION

Our Directors and senior management receive remuneration, including salaries and allowances, performance-based bonuses, retirement benefit scheme contributions and share award granted pursuant to the share award scheme adopted by Sunny Optical Technology.

The aggregate amount of remuneration (including salaries and allowances, performance-based bonuses, retirement benefit scheme contributions and share award) for the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026 was approximately RMB3.7 million, RMB5.0 million, RMB5.0 million and RMB2.9 million for our Directors, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The aggregate amount of remuneration (including salaries and allowances, performance-based bonuses, retirement benefit scheme contributions and share award) for the five highest paid individuals for the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026 was approximately RMB10.8 million, RMB13.5 million, RMB12.5 million and RMB6.5 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the Track Record Period by our Company to our Directors. For the year ending December 31, 2026, we expect to pay approximately RMB4.0 million in aggregate remuneration to our Directors.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Company. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or supervisor or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

COMPLIANCE ADVISOR

We have appointed Asian Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development, or results of our Group deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**] and such appointment may be subject to extension by mutual agreement.

OVERVIEW

As at the Latest Practicable Date, our Company was directly held by Sunny Zhejiang Optics and Sunny Group as to 84.8% and 11.7%, respectively. Sunny Group is a direct wholly-owned subsidiary of Sunny Zhejiang Optics. Sunny Zhejiang Optics was directly held by Sunny Optical Overseas and Summit Technology (HK) as to 72.13% and 27.87%, respectively. Sunny Optical Overseas was wholly owned by Sun Xiang Optical, which was in turn wholly controlled by Sunny Optical Technology through its wholly owned subsidiary Sun Yun Optical. Summit Technology (HK) was 100% owned by Summit Technology (BVI), which was also in turn wholly controlled by Sunny Optical Technology through its wholly owned subsidiary Sun Yun Optical. Accordingly, the Controlling Shareholders, comprising Sunny Optical Technology, Sunny Group, Sunny Zhejiang Optics, Sunny Optical Overseas, Sun Xiang Optical, Sun Yu Optical, Summit Technology (HK) and Summit Technology (BVI), were collectively interested in approximately 96.5% of the Shares. Immediately following the completion the [**REDACTED**], the Controlling Shareholders will in aggregate hold approximately [**REDACTED**]% of the Shares (assuming the [**REDACTED**] is not exercised). Therefore, upon [**REDACTED**], they will remain as our Controlling Shareholders. See "History, Reorganization and Corporate Structure" for the shareholding and corporate structure of our Group.

DELINEATION OF BUSINESS

Our Principal Business

We are primarily engaged in on R&D, manufacturing and sale of vehicle-related optical products. For more details, see "Business."

Principal Business of Retained Sunny Optical Technology Group

The history of Sunny Optical Technology can be traced back to 1984 and Sunny Optical Technology has been listed on the Stock Exchange since 2007 (stock code: 2382). Upon completion of the [**REDACTED**] and the [**REDACTED**], the Retained Sunny Optical Technology Group will be principally engaged in the design, R&D, manufacturing and sale of non-vehicle related optical business, with the application fields of its key offering focusing on XR products, smartphone camera products and other non-vehicle related optical products (including pan-IoT, robotics, optical components and optical instruments).

We supply certain vehicle-related optical products to Retained Sunny Optical Technology Group for further on-sales in certain overseas markets where it has a local presence. Such on-sale of the vehicle-related products produced and supplied by our Group did not and is not expected to constitute a material portion of the business of the Retained Sunny Optical Technology Group and therefore does not form part of its principal business. The Retained Sunny Optical Technology Group will not have any material operations in respect of design, R&D or manufacturing of vehicle-related optical products upon completion of the [**REDACTED**] and the [**REDACTED**]. Accordingly, the principal business of our Group and that of the Retained Sunny Optical Technology Group is clearly delineated. The arrangement allows our Group to leverage the existing expansive global presence of the Retained Sunny Optical Technology Group to promote and extend our product outreach to overseas markets where we may not have established local outlets. In particular, in certain overseas markets, primarily Japan, end customers may require transactions to be conducted through local entities as part of their internal policies. According to Frost & Sullivan, such arrangement is in line with industry practice in Japan. Sunny Optical Technology Group has established local entities in a number of overseas markets, including Japan, in the ordinary course of its retained business, and on-sales of our vehicle-related products does not amount to a material portion of its business in Japan. Depending on our negotiations with end customers, the amount of transactions in the relevant overseas markets and business feasibility, we aim to establish independent local entities and operations to enable transactions with end customers directly. See "Connected Transactions" for more details.

Clear delineation of business

Upon completion of the [**REDACTED**], our business and the business of the Retained Sunny Optical Technology Group (the "**Retained Business**") are clearly delineated from each other in terms of core technologies adopted, fields of application and target customers and market:

(a) ***Fields of application***: Our business focuses on vehicles as the field of application. Save that certain vehicle infrared imaging products, which primarily include vehicle infrared thermal imaging lens, offered by the Retained Sunny Optical Technology Group may also be adopted and applied in vehicles, the Retained Business is clearly delineated from that of our Group in terms of fields of application, with the products of the Retained Business primarily focusing on fields of application other than vehicles, such as XR, smartphones, pan-IoT, robotics, optical components and optical instruments.

Notwithstanding that there may be overlap in terms of fields of application between our Business and the infrared business operated by the Retained Sunny Optical Technology Group, there is clear delineation between these two businesses in terms of underlying technologies adopted, their different positioning as well as the immateriality in financial contribution of vehicle infrared products illustrated below:

	Our Business	Infrared business of the Retained Sunny Optical Technology Group
Underlying technologies adopted	The vehicle camera products produced by our Group all adopt visible light-based optical technologies, which form images based on reflected visible light.	Powered by the Retained Sunny Optical Technology Group's advanced invisible infrared optical technologies, which form images through detecting heat emitted by the subject.
Materiality of vehicle applications of products.	All the products offered by our Group are designed for vehicle applications.	Most of the Retained Sunny Optical Technology Group's infrared imaging products are designed and produced for applications in (i) security monitoring industry for personal or property safety; and (ii) outdoor uses as night vision devices in scenarios including hunting, outdoor exploration and rescue. The revenue generated from the sales of vehicle infrared imaging products remained minimal, being approximately 0.1%, as compared to the total revenue of the Retained Sunny Optical Technology Group throughout the Track Record Period in light of the great variety of non-vehicle-related optical products offered by the Retained Sunny Optical Technology Group.

	Our Business	Infrared business of the Retained Sunny Optical Technology Group
Different positioning with no overlapping in functionality . . .	The vehicle camera products produced by our Group are essential as part of the standard vehicle functionality features, which are widely used in almost all vehicles. Such products enable the driver and occupants to have full vision of surroundings around the vehicle in a well-lit environment.	Vehicle infrared optical products are usually adopted as selective add-on configurations to further strengthen night vision capability when driving in the dark or extreme weather conditions with limited visible lights (e.g., in heavy fog), which are not positioned as alternative to the vehicle camera products produced by our Group. As such, there will not be any substantive competition between the product offerings of our Group and the infrared business operated through the Retained Sunny Optical Technology Group.

(b) ***Core technologies adopted***: In light of the field of application, the vehicle camera products are featured with high adaptability in complex driving environments to ensure its stability in image capturing, and therefore adopts certain core technologies and patents that are unique to our business. For example, active heating and defogging technologies and patents in this regard are adopted in vehicle camera products, enabling it to capture clear image around the vehicle under extremely low temperature or on rainy and snowy days. Vehicle camera products also adopt self-cleaning technologies and self-owned patents which would actively wipe off dust or rain drops, so that the image capabilities would not be impaired. In addition, unlike camera lens applied in consumer electronics, vehicle camera products are designed with a view to long-term use and durability and require high-temperature resilience under various environments where temperature compensation technologies are adopted to ensure its functionality in a wide range of temperature (including extreme cold or heat). On the other hand, the major products offered by the Retained Sunny Optical Technology Group, comprising of XR products and smartphones, are consumer electronic products for daily uses that do not require technical features and technologies (e.g., high-temperature resilience, active heating and self-cleaning) uniquely adopted by vehicle-related optical products. For instance, smartphone camera products are typically designed with a shorter life span and do not require resilience under extreme weather conditions such as extreme cold or heat. Instead, the features of such smartphone camera products vary based on the specific requests and technical demands of targeted clients, being smartphone manufacturers around the world.

(c) ***Target customers and market***: The vehicle-related optical products offered by our Group are designed for use in the automobile sector, and the targeted clients include Tier-1 suppliers, and OEMs around the world, while the offerings by the Retained Business are primarily targeted at corporate and institutional clients in non-vehicle sectors, including manufacturer of XR products and smartphones.

In light of the above clear delineation between the businesses of our Group and the Retained Sunny Optical Technology Group, the Retained Business does not compete and is unlikely to compete, directly or indirectly, with our Group's business.

As of the Latest Practicable Date, each of our Controlling Shareholders confirmed that none of them or their close associates had any interest in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are of the view that our Group is able to carry on its business independently from our Controlling Shareholders (including their close associates) following the completion of the [**REDACTED**] for the following reasons.

Management Independence

Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. For further details of our Directors, see "Directors and Senior Management". Among the eight Directors, only two non-executive Directors (the "**Overlapping Directors**") currently hold and will continue to hold positions in Sunny Optical Technology upon [**REDACTED**], details of which are set out below:

Name of Director	Position(s) in our Company upon [REDACTED]	Position(s) in Sunny Optical Technology upon [REDACTED]
Mr. Wang Wenjie (王文杰)	Chairman of the Board and non-executive Director	Executive director, chief executive officer and authorized representative
Mr. Ni Wenjun (倪文軍)	Vice chairman of the Board and non-executive Director	Executive director and executive president

In light of the non-executive nature of their roles within our Group, it is expected that the Overlapping Directors will not be involved in the daily business operation and management of our Group, and we believe that such arrangement will not affect the discharge of their respective duties and responsibilities to Sunny Optical Technology and our Company. Save as disclosed above, none of the other Directors or senior management of our Company holds or will hold any position in Sunny Optical Technology. As such, our Group and Retained Sunny Optical Technology Group are principally managed by separate management teams.

We believe that our Group does not rely on Retained Sunny Optical Technology Group in terms of directorship and management, and that the day-to-day operations and management functions of our Group, upon [**REDACTED**], will be managed independently of Retained Sunny Optical Technology Group, given that:

(a) except for the Overlapping Directors, there is no other overlapping management upon [**REDACTED**] except for the Overlapping Directors, the other six Directors are independent of our Controlling Shareholders, comprising two executive Directors, one non-executive Director and three independent non-executive Directors, all of whom possess sufficient knowledge, experience and competence in respect of management and corporate governance affairs. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders;

(b) the Board of our Company will have a balanced composition of eight Directors upon the [**REDACTED**], three of which are independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Specifically, (i) our independent non-executive Directors are not associated with any Controlling Shareholders and/or their close associates; (ii) our independent non-executive Directors account for more than one third of the Board; and (iii) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to provide professional and experienced advice to our Company. Our Directors are of the view that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interests of our Company and our Shareholders as a whole; and

(c) each of the Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event of any actual or potential conflict of interest between our Group and Retained Sunny Optical Technology Group, the conflicted Directors will be required to abstain from voting on the relevant Board resolutions and the other Directors will vote and decide on the matter.

Nevertheless, to address potential conflict of interests that may arise in the future, our Company has adopted certain corporate governance measures. See "— Corporate Governance." Based on the above and taking into consideration the fact that there is no substantive competition between us and our Controlling Shareholders and their close associates as defined under Rule 8.10 of the Listing Rules, the Directors are of the view that our management is independent from our Controlling Shareholders, our Directors are of the view that our Group is capable of managing our business independently from Retained Sunny Optical Technology Group following the completion of the [**REDACTED**].

Operational Independence

We operate our business independently from our Controlling Shareholders and their close associates. We have obtained relevant qualifications and licenses, independent production line and machinery needed for our businesses. Our Group also has a sufficient level of business operations, assets, facilities, equipment and employees to operate our business independently from our Controlling Shareholders and their close associates. In particular, we have our own in-house R&D team for research and refinement of our products and core technologies applicable to our business. We do not co-own any material intellectual property with Retained Sunny Optical Technology Group, and save for the trademarks licensed from Retained Sunny Optical Technology Group, all of our material intellectual properties were invented by our Group.

We have a diversified base of customers and suppliers. During the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, we (i) generated RMB89.6 million, RMB151.3 million, RMB203.0 million and RMB103.7 million, respectively, from sales to Retained Sunny Optical Technology Group, representing approximately 1.7%, 2.5%, 2.8% and 2.8% of our total revenue during the same period and (ii) incurred RMB459.9 million, RMB472.8 million and RMB545.2 million and RMB313.8 million, respectively, from procurement from the Retained Sunny Optical Technology Group, representing approximately 13.6%, 12.2%, 11.2% and 12.2% of our total cost of sales during the same period. We are also able to procure products and services supplied by the Retained Sunny Optical Technology Group from alternative suppliers who are Independent Third Parties.

We have our own organizational structure with self-governing departments, each with specific areas of responsibility in carrying out essential administrative functions without the support of our Controlling Shareholders. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted a set of corporate governance manuals, including the terms of reference for general meetings and terms of reference for Board meetings, both of which are based on relevant laws, rules and regulations.

We entered into certain connected transactions with our Controlling Shareholders and their respective close associates, which will continue after the [**REDACTED**]. See "Connected Transactions" for more details. All such transactions will be conducted on arm's length and on normal commercial terms in the ordinary and usual course of business of our Group in accordance with the requirements under Chapter 14A of the Listing Rules and the pricing policy of our Group and our connected persons and therefore are not prejudicial to the interests of any of the parties. In addition, trademarks licensed to us by the Retained Sunny Optical Technology Group under the Trademark Licensing Agreement were and will mainly be used for administrative purpose to signify our role as a member of the broader Sunny Optical Technology Group, and are not intended to be engrossed or printed on our products. Our Directors believe that such transactions will not have affect our operational independence as a whole.

Based on the above, our Directors are of the view that our Company operates independently from our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging financial management, accounting, reporting, funding and treasury functions. We maintain bank accounts independently and do not share any bank account with Retained Sunny Optical Technology Group. We have made independent tax registration in accordance with applicable laws and paid tax independently pursuant to applicable tax laws and regulations.

We do not rely on our Controlling Shareholders or their close associates for financial assistance. Our Group is capable of obtaining financing from Independent Third Parties, if necessary, without relying on any guarantee or security provided by our Controlling Shareholders and/or their close associates. As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders or their respective close associates to us.

Accordingly, our Directors believe that we are able to maintain financial independence and would not place undue reliance on our Controlling Shareholders or their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and Retained Sunny Optical Technology Group:

(a) as part of our preparation for the [**REDACTED**], we will adopt, upon [**REDACTED**], our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall such Director be counted in the quorum for the resolution);

(b) a Director with material interests shall make full disclosure in respect of matters that may have actual or potential conflict with any of our interest and abstain from the Board meetings on matters in which such Director or his/her associates have a material interest;

(c) we are committed to maintaining a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "Directors and Senior Management";

(d) we have appointed Asian Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors' duties and corporate governance;

(e) we have adopted internal control and corporate governance measures to ensure that the terms of our continuing connected transactions are fair and reasonable and not prejudicial to the interests of our Company and the minority Shareholders; and

(f) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transaction annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

Based on the above, our Directors believe that there are sufficient and adequate corporate governance measures in place to manage existing and potential conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) and the Conversion of Unlisted Shares into H Shares, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company:

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	Type of Shares to be held upon [REDACTED]	Nature of Interest	Number of Shares[1]	Approximate percentage in the total issued Shares	Number of Shares[1]	Approximate percentage of shareholding in the relevant type of Shares	Approximate percentage of shareholding in total issued Shares
Sunny Group	Unlisted Shares	Beneficial interest	234,000,000	11.7%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Beneficial interest	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Sunny Zhejiang Optics	Unlisted Shares	Beneficial interest	1,696,000,000	84.8%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Beneficial interest	–	–	[REDACTED]	[REDACTED]	[REDACTED]
	Unlisted Shares	Interest in controlled corporation[2]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Interest in controlled corporation[2]	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Sunny Optical Overseas	Unlisted Shares	Interest in controlled corporation[3]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Interest in controlled corporation[3]	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Sun Xiang Optical	Unlisted Shares	Interest in controlled corporation[3]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Interest in controlled corporation[3]	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Sun Yu Optical	Unlisted Shares	Interest in controlled corporation[3]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Interest in controlled corporation[3]	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Sunny Optical Technology	Unlisted Shares	Interest in controlled corporation[3]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Interest in controlled corporation[3]	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Sun Xu Limited ("**Sun Xu**")	Unlisted Shares	Interest in controlled corporation[4]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Interest in controlled corporation[4]	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Sun Ji Limited ("**Sun Ji**")	Unlisted Shares	Interest in controlled corporation[5]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Interest in controlled corporation[5]	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wang Wenjian (王文鑒)	Unlisted Shares	Trustee of a trust[6]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Trustee of a trust[6]	–	–	[REDACTED]	[REDACTED]	[REDACTED]
TMF Trust (HK) Limited	Unlisted Shares	Trustee of a trust[6]	1,930,000,000	96.5%	[REDACTED]	[REDACTED]	[REDACTED]
	[H Shares]	Trustee of a trust[6]	–	–	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) All interests stated are long positions.

(2) As of the Latest Practicable Date, Sunny Group was wholly owned by Sunny Zhejiang Optics. Accordingly, Sunny Zhejiang Optics is deemed to be interested in the entire Shares held by Sunny Group under the SFO.

(3) As of the Latest Practicable Date, Sunny Zhejiang Optics was held by Sunny Optical Overseas and Summit Optical Technology Limited as to 72.13% and 27.87%, respectively, both of which were indirectly wholly owned subsidiaries of Sunny Optical Technology. Sunny Optical Overseas was wholly owned by Sun Xiang Optical. Sun Xiang Optical was wholly owned by Sun Yu Optical, which was in turn wholly owned by Sunny Optical Technology. Therefore, each of Sunny Optical Overseas, Sun Xiang Optical, Sun Yu Optical and Sunny Optical Technology is deemed to be interested in the entire Shares held by Sunny Zhejiang Optics under the SFO.

(4) As of the Latest Practicable Date, Sun Xu held 30.0% or more of the total issued share capital of Sunny Optical Technology. Therefore, Sun Xu is deemed to be interested in the entire Shares held by Sunny Zhejiang Optics under the SFO.

(5) As of the Latest Practicable Date, Sun Ji held the entirety of the total issued share capital of Sun Xu. Therefore, Sun Xu is deemed to be interested in the entire Shares held by Sunny Zhejiang Optics under the SFO.

(6) Each of Mr. Wang Wenjian and TMF Trust (HK) Limited is a trustee of the Sunny Group Employee Offshore Trust. The Sunny Group Employee Offshore Trust is a trust on the entire issued share capital of Sun Ji, which owns the entirety of the equity interest in Sun Xu. Accordingly, each of Mr. Wang Wenjian and TMF Trust (HK) Limited is deemed to be interested in Shares held by Sun Xu under the SFO.

Mr. Xie Qiansen, Mr. Zhang Kouwen, Mr. Wang Wenjie and Mr. Ni Wenjun, each a Director of our Company, is also deemed to be interested in the Shares held by Sun Ji and Sun Xu as beneficiaries of the Sunny Group Employee Offshore Trust. See "Appendix VI — Statutory and General Information — C. Further Information about Directors and Substantial Shareholders."

Saved as disclosed herein, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the Conversion of Unlisted Shares into H Shares, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

As of the Latest Practicable Date, the registered share capital of our Company was RMB2,000,000,000 divided into 2,000,000,000 Unlisted Shares, with a nominal value of RMB1.00 each.

Immediately after the completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised), the share capital of our Company will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total issued share capital
[1,000,000,000]	Unlisted Shares	[**REDACTED**]
[1,000,000,000]	H Shares to be converted from Unlisted Shares	[**REDACTED**]
[**REDACTED**]	H Shares to be [**REDACTED**] under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]		100.00%

Immediately after the completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is exercised in full), the share capital of our Company will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total issued share capital
[1,000,000,000]	Unlisted Shares	[**REDACTED**]
[1,000,000,000]	H Shares to be converted from Unlisted Shares	[**REDACTED**]
[**REDACTED**]	H Shares to be [**REDACTED**] under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]		100.00%

SHARE CLASSES AND RANKING

Upon the completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares, our Shares will consist of Unlisted Shares and H Shares. Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Unlisted Shares held by whom will be converted into H Shares according to the

filing with the CSRC), H Shares generally cannot be subscribed by or traded between legal or natural persons in Chinese Mainland. Unlisted Shares can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors and foreign strategic investors.

Unlisted Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of Shareholders, among others, increase its capital or decrease its capital. For details of circumstances under which our Shareholders' general meetings are required, see "Appendix V — Summary of Articles of Association" in this document.

CONVERSION OF UNLISTED SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and in accordance with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) (the "**Full Circulation Guidelines**") and the Overseas Listing Trial Measures, the Unlisted Shares may be converted into H Shares. Such converted Shares could be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval process has been duly completed and all the filing procedures with the relevant regulatory authorities, including CSRC, which requires administrative filing procedures for the conversion and trading of such converted Shares, have been obtained. In addition, such conversion and trading shall comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Filing with the CSRC and Full Circulation Application

In accordance with the Full Circulation Guidelines and the Overseas Listing Trial Measures announced by the CSRC, domestic unlisted shares of H-share companies (including domestic unlisted shares held by domestic shareholders prior to the overseas listing, domestic unlisted shares further issued in the PRC after the overseas listing and unlisted shares held by foreign shareholders) which apply for the conversion of domestic shares and unlisted foreign shares into H shares for listing and circulation on the Stock Exchange shall file the application with the CSRC according to the administrative filing procedures necessary for the Overseas Listing Trial Measures.

[**REDACTED**] Approval by the Stock Exchange

We have applied to the Stock Exchange for the approval for the granting of [**REDACTED**] of, and permission to [**REDACTED**], our H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]) and the H Shares to be converted from [1,000,000,000] Unlisted Shares on the Stock Exchange, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the Conversion of Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (a) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (b) enabling the converted H Shares to be accepted as eligible securities by [**REDACTED**] for deposit, clearance and settlement in the [**REDACTED**].

The Conversion of Unlisted Shares into H Shares will involve an aggregate of [1,000,000,000] Unlisted Shares held by [2] existing Shareholders, representing approximately [50.0]% of total issued Shares of the Company as of the Latest Practicable Date and approximately [**REDACTED**]% of total issued Shares of the Company upon completion of the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

Transfer of Shares Issued Prior to [REDACTED]

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Shares transferred by our Directors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares held by the aforementioned persons cannot be transferred within half a year after they leave their positions as Directors and members of the senior management of our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors and members of senior management of our Company. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to such statutory restriction and not be transferred within a period of one year from the [**REDACTED**].

For details of the lock-up undertaking given by our Controlling Shareholders to the Stock Exchange, see "[**REDACTED**]" in this document.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies, the domestic shareholders of unlisted shares shall handle share transfer registration in accordance with the relevant rules of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) (the "CSDC"), and H-share companies should submit relevant status reports to the CSRC within 15 days after the shares involved in the application completing the transfer registration in the CSDC.

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.

FUTURE PLANS

Please see "Business — Development Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

Assuming that the [**REDACTED**] are not exercised, after deducting the [**REDACTED**] and other estimated [**REDACTED**] payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] and HK$[**REDACTED**]), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**]. We intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for R&D of vehicle camera products and other vehicle optical products, as well as building a comprehensive testing system to enhance our technological capabilities and product offerings. Specifically:

  - Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for R&D of advanced intelligent driving full-scenario image sensing technology in relation to sensing products. This investment is planned to be carried out in 2027 and to be completed by the end of 2030. The [**REDACTED**] will be deployed across the following two areas:

    (i) expanding our R&D team (approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million). We plan to recruit approximately 500 new staff across project management, product development, engineering technology, digital engineering and supplier quality functions, at engineer and manager level.

    (ii) procuring relevant software, hardware and equipment and R&D-related renovations (approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million). More specifically, the software we plan to procure are those that will support our design, simulation and engineering activities, and hardware and equipment we plan to procure include servers, materials for product development and office equipment.

    Through the above [**REDACTED**], we will focus on developing key technologies focusing on (i) enhancing core technical capabilities, including anti-interference technologies, high-precision AA processes, ultra-high precision testing technologies, as well as design and simulation capability. These enhancements will improve product detection distance, resolution and reliability, enhance the performance of sensing products, and optimize assembly yield rates; and (ii) integrated products for L3 and above autonomous driving, specifically researching and developing a series of integrated products that ensure safe, reliable operation and a comfortable user experience in complex driving environments.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for the R&D of diversified image interaction technologies in relation to cabin products. The investment is planned to be carried out on a continuous basis from 2027 to 2030. We mainly focus on strengthening human-machine interaction algorithm capabilities by:

  (i) expanding our R&D teams (approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million). We plan to recruit approximately 120 new R&D personnel across project management, product development, engineering technology, digital engineering and supplier quality functions.

  (ii) acquiring software and equipment and renovation (approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million). We plan to invest in image-enhancing software and hardware based on mainstream SOC platforms and relevant materials to support smart cabin sensor interactions, as well as R&D-related renovation expenses.

  Through the above investments, we expect to focus on the key R&D projects, such as ultra-low reflection coating technology, high-stability glass-plastic hybrid structure lenses and miniaturization technologies. Through these R&D initiatives, we aim to achieve an upgrade from "basic visual interaction" to "concealed high-definition interaction", with further improvements in resolution and broader viewing angle coverage, thereby enhance product performance, optimize processes and reinforce our technology market position in cabin products.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to enhance system-level integration application capabilities in relation to other vehicle optical products. The investment is planned to be carried out on a continuous basis from 2027 to 2030. The [**REDACTED**] will be deployed in the following two areas:

  (i) expanding our R&D teams (approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million). We plan to recruit approximately 200 new R&D personnel across projection display R&D, LiDAR R&D, optoelectronics research, engineering technology and digital engineering functions, at engineer and manager level.

  (ii) acquiring equipment and software and renovation (approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million). We plan to advance investment in the equipment and testing systems to support our R&D on LiDAR systems. We also plan to invest in R&D-related renovation to accommodate an expanded team and enhanced research capabilities.

  Through the above investments, we will focus on (i) developing products for LiDAR, in-cabin projection display and automotive lighting, such as enhancing detection distance and precision for long-range LiDAR and developing holographic technology for in-cabin projection display; and (ii) developing related algorithm capabilities to drive continuous innovation in our next-generation products. Through these R&D initiatives, we aim to expand our strategic presence in this market segment, enhance our system-level integration application capabilities and serve a broader range of vehicle application scenarios.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for the construction of a comprehensive opto-mechanical-electro-algorithmic testing center. We plan to (i) establish a professional testing team, with approximately 50 new personnel, including laboratory management and director-level positions; (ii) procure various specialized testing equipment (for temperature environment, mechanical shock and other reliability testing purposes), and (iii) plan and construct testing facilities, focusing on building enclosed simulated laboratory environments for testing and calibration scenarios for ADAS, ADS and in-cabin interaction. These initiatives will build a comprehensive testing system that closely aligns with customers' application needs.

• Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for enhancing our manufacturing capacities and optimizing our supply chain management. Specifically:

  - Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for enhancing our manufacturing capacities. This investment is planned to be carried out in 2027 and to be completed by the end of 2030.

    Between 2023 and the six months ended June 30, 2026, the capacity utilization rates of our sensing products and cabin products segments ranged between approximately 70% and 84%, which are already at a high level within the industry. According to F&S, the relevant market in which we operate are expected to continue to grow during the forecast period, primarily driven by the upgrading of vehicle intelligence, increasing penetration of ADAS, the rising amount of sensing hardware installed per vehicle, multi-modality and greater integration, providing room for the absorption of additional capacity. See "Industry Overview."

    The following table sets forth a comparison of our current production capacity and our planned expanded capacity, broken down by product category:

Product Category	Production Capacity in 2025	Planned Additional Production Capacity by 2030	Total Production Capacity upon Completion
	(million units)	*(million units)*	*(million units)*
Sensing products	115.1	95.4	210.5
Cabin products	91.0	69.3	160.3

    We believe there will be sufficient market demand to absorb our existing and planned capacity expansion, and that we possess the capabilities to capture such demand, supported by the following factors:

    • Favorable Industry Growth and Demand Forecasts: According to F&S, the global vehicle camera solution market is projected to grow from RMB107.0 billion in 2025 to RMB222.1 billion in 2030, representing a CAGR of 15.7%. This growth is primarily driven by booming global vehicle market and the continuous advancement of vehicle intelligence. Consequently, the average number of cameras installed per vehicle is expected to increase significantly from 3-5 units in 2025 to 8-12 units in 2030. Furthermore, our emerging

product lines, including LiDAR and HUD products, are also experiencing rapid market expansion as they become essential components of intelligent driving and interactive cabin systems. Please see "Industry Overview" for details.

- High Historical Utilization Rates: Our need for capacity expansion is underscored by our consistently high production utilization rates. During the Track Record Period, the utilization rates for our sensing products decreased from 72.1% in 2023 to 69.9% in the six months ended June 30, 2026, and for our cabin products, from 75.6% in 2023 to 82.0% in the six months ended June 30, 2026, which were at high levels in the industry.

- Robust Project Pipeline and Confirmed Orders: Our capacity expansion is directly aligned with our customers' capacity commitments and our robust project pipeline. As of June 30, 2026, we had secured over 40 project design wins across our vehicle camera, LiDAR, HUD and lighting product line, representing an estimated aggregate contract value of over RMB13.0 billion.

- Competitive Advantages and Customer Loyalty: We have established barriers to entry through our integrated R&D and manufacturing capabilities, large patent portfolio and stringent automotive-grade qualifications. Because the validation cycle for automotive-grade optical products typically requires three to five years, customer replacement costs are exceptionally high, resulting in strong customer loyalty. We have maintained stable relationships with our five largest customers.

We plan to deploy the [**REDACTED**] in the following two areas:

(i) Rental, renovation of production bases and equipment procurement (approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million). We plan to fulfil rental payments for our production bases, renovate our existing production bases and procure fully automated dual-station AA equipment, AA automatic cleaning equipment, LiDAR/projection complete product assembly lines, fully automated lens assembly lines and other production equipment for our production bases, with annual capital expenditure amounts of HK$414.3 million, HK$306.3 million, HK$282.1 million and HK$297.5 million respectively for each of the years from 2027 to 2030.

(ii) recruitment of production personnel (approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million). We plan to hire a total of approximately 1,600 new production personnel, comprising management and technical staff and skilled production workers.

These initiatives will expand and upgrade the production capacity for our vehicle camera and other vehicle optical products, enhancing the scaled production and delivery capabilities to meet evolving needs of customers. Upon completion of the expansion, we expect to increase our production capacity for sensing products, cabin products and other products by an additional 90-100 million units and 65-75 million units and 25-30 million units, respectively, by 2030.

While the expansion will increase fixed costs in the near term, we anticipate that rising production volumes and improvements in production automation levels will generate economies of scale, reducing per-unit production costs and improving overall cost efficiency. The expanded capacity is expected to support revenue growth by enabling us to meet increasing customer demand, contributing positively to our gross profit margins over the medium to long term.

  - Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for digitalization across R&D and production by building vertical automated warehousing, establishing digitalized logistics systems and procuring manufacturing related automated equipment. In addition, we expect to integrate AI technology across the full value chain encompassing supply chain, R&D and production, increasing automation and optimizing flexible production levels and production efficiency across our manufacturing bases, enhancing our production yield rates and overall operational efficiency. This investment plans to add a total of 15 new employees comprising software development engineers and equipment commissioning personnel.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for optimizing our sales and services networks by strengthening partner-facing sales team deployment and enhancing technical support teams. These initiatives will provide full lifecycle technical support to customers and continuously optimize our customer service capabilities. The Company plans to recruit a total of 170 personnel across sales, technical support, market development, marketing operations and client quality service functions. The 170 new personnel is expected to be hired in China but to cover specific customers and end market in designated geographical regions. Specifically, we plan to hire 36, 52, 50 and 32 personnel to cover the end markets in China, Europe, North America and other Asia-Pacific regions (such as Korea and Japan), respectively. These new hires will focus on serving and supporting customers such as leading OEMs and Tier-1 suppliers within their designated markets.

  We believe that this expansion aligns directly with our strategy to enhance our global presence and providing localized services. By having dedicated sales, technical support, market development, marketing operations and client quality service personnel to cover customers within the designated markets, we aim to deliver quick, professional technical support throughout the product lifecycle. This approach not only improves our operational resilience and customer response times but also facilitates deeper integration into our customers' supply chains, allowing us to better capture emerging opportunities in both our core vehicle camera products and our expanding portfolio of other vehicle optical products.

  The anticipated annual average remuneration for newly hired personnel in R&D, sales and production roles is projected to be approximately HK$390,000, HK$290,000 and HK$170,000, respectively.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for supplementing working capital and general corporate purposes.

In the event that the [**REDACTED**] is set at the maximum [**REDACTED**] or the minimum [**REDACTED**] of the indicative [**REDACTED**] range (assuming the [**REDACTED**] is not exercised), the net [**REDACTED**] of the [**REDACTED**] will increase or decrease by approximately HK$[**REDACTED**] million (after deducting [**REDACTED**] fees and expenses related to the [**REDACTED**]), respectively.

The additional net [**REDACTED**] that we would receive if the [**REDACTED**] were exercised in full would be (i) HK$[**REDACTED**] million (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the maximum [**REDACTED**] of the indicative [**REDACTED**] range), (ii) HK$[**REDACTED**] million (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range), and (iii) HK$[**REDACTED**] million (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the minimum [**REDACTED**] of the indicative [**REDACTED**] range).

To the extent that the net [**REDACTED**] from the [**REDACTED**] are either more or less than expected, we will adjust our allocation of the net [**REDACTED**] for the above purposes on a pro rata basis.

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may deposit such funds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions). In such an event, we will comply with the appropriate disclosure requirements under the Listing Rule.

We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

[**REDACTED**]

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The following is the text of a report set out on pages I-1 to I-[73], received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NINGBO SUNNY SMART AUTOTECH COMPANY LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Ningbo Sunny Smart Autotech Company Limited* (寧波舜宇智行科技股份有限公司) (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[4] to I-[73], which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025 and June 30, 2026, the statements of financial position of the Company as at 31 December 2025 and June 30, 2026, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[4] to I-[73] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "**Document**") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

* English name is for identification purpose

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2023, 2024 and 2025 and June 30, 2026, of the Company's financial position as at 31 December 2025 and June 30, 2026 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2025 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our

review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about dividends declared and paid by the Company's subsidiaries in respect of the Track Record Period and states that no dividend was declared or paid by the Company since its incorporation.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31,			For the six months ended June 30,	
	NOTES	**2023**	**2024**	**2025**	**2025**	**2026**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*6*	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	*7*	57,012	59,396	59,964	19,132	36,325
Other gains and losses	*8*	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	*9*	(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	*11*	(130,055)	(155,521)	(203,143)	(84,563)	(83,863)
Profit for the year/period	*10*	1,140,434	1,271,728	1,289,386	657,243	665,453
Other comprehensive expense for the year/period						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		(8,081)	(16,739)	(24,856)	(17,823)	(9,127)
Total comprehensive income for the year/period		1,132,353	1,254,989	1,264,530	639,420	656,326

	NOTES	For the year ended December 31,			For the six months ended June 30,	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period 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
Total comprehensive income attributable to:						
– Owners of the Company		1,120,134	1,241,500	1,241,765	632,564	656,326
– Non-controlling interests		12,219	13,489	22,765	6,856	–
		1,132,353	1,254,989	1,264,530	639,420	656,326
Earnings per share	14					
– Basic (RMB cents)		[56]	[63]	[63]	[33]	[33]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at December 31,			As at June 30,
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	15	825,901	1,136,709	1,188,158	1,306,385
Investment properties	16	–	–	33,932	37,704
Right-of-use assets	17	130,256	178,790	153,640	183,482
Intangible assets	18	30,050	24,100	18,150	15,175
Deferred tax assets	19	4,643	8,877	8,648	5,324
Prepayments for acquisition of property plant and equipment and land use right	20	39,321	27,578	79,923	53,970
Goodwill		2,119	2,119	2,119	2,119
		1,032,290	1,378,173	1,484,570	1,604,159
Current assets					
Inventories	22	620,953	787,569	1,005,006	939,934
Trade and other receivables and prepayments	23	1,430,150	1,737,895	2,050,857	2,057,335
Amounts due from related parties	37	2,077,504	2,662,271	108,065	92,022
Receivables at fair value through other comprehensive income ("FVTOCI")	24	162,278	210,265	401,820	157,335
Financial assets at fair value through profit or loss ("FVTPL")	21	–	255,416	687,247	1,534,998
Pledged bank deposits	25	–	–	70,085	14,021
Short term fixed deposits	25	10,570	21,054	–	–
Cash and cash equivalents	25	315,227	271,010	971,482	807,962
		4,616,682	5,945,480	5,294,562	5,603,607

	NOTES	As at December 31, 2023	As at December 31, 2024	As at December 31, 2025	As at June 30, 2026
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade and other payables	*26*	1,612,594	1,889,381	2,482,912	2,472,993
Amounts due to related parties	*37*	112,039	530,633	517,527	360,366
Contract liabilities	*27*	23,878	38,283	26,387	11,069
Income tax payable		40,936	75,499	134,195	95,285
Bank borrowings	*28*	18,393	–	534,190	528,304
Lease liabilities	*29*	12,633	13,176	13,744	11,289
Deferred income	*30*	12,865	8,942	1,067	2,867
		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
Total assets less current liabilities		3,815,634	4,767,739	3,069,110	3,725,593
Non-current liabilities					
Deferred tax liabilities	*19*	50,680	51,881	43,350	45,331
Lease liabilities	*29*	41,238	28,062	14,318	6,083
Deferred income	*30*	7,875	1,067	–	3,500
		99,793	81,010	57,668	54,914
Net assets		3,715,841	4,686,729	3,011,442	3,670,679
Capital and reserves					
Paid-in/share capital	*31*	604,460	604,460	2,000,000	2,000,000
Reserves		2,984,735	3,942,134	1,011,442	1,670,679
Equity attributable to owners of the Company		3,589,195	4,546,594	3,011,442	3,670,679
Non-controlling interests		126,646	140,135	–	–
		3,715,841	4,686,729	3,011,442	3,670,679

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at December 31, 2025	As at June 30, 2026
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		–	23
Investment in subsidiaries		19,005,244	19,005,244
		19,005,244	19,005,267
Current assets			
Trade and other receivables and prepayments	*23*	4,066	8,222
Financial assets at fair value through profit or loss ("FVTPL")	*21*	90,034	68,043
Cash and cash equivalents		4,721	5,139
		98,821	81,404
Current liability			
Trade and other payables	*26*	10,225	2,203
		10,225	2,203
Net current assets		88,596	79,201
Total assets less current liability		19,093,840	19,084,468
Net assets		19,093,840	19,084,468
Capital and reserves			
Paid-in/share capital	*31*	2,000,000	2,000,000
Reserves		17,093,840	17,084,468
Equity attributable to owners of the Company		19,093,840	19,084,468

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Paid-in/ share capital	Other reserve	Surplus reserve	Share award scheme reserve	Translation reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Note 39)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	92,111	102,131	26,303	24,381	2,305	2,329,137	2,576,368	49,863	2,626,231
Profit for the year	–	–	–	–	–	1,128,215	1,128,215	12,219	1,140,434
Other comprehensive expense for the year	–	–	–	–	(8,081)	–	(8,081)	–	(8,081)
Total comprehensive (expense) income for the year	–	–	–	–	(8,081)	1,128,215	1,120,134	12,219	1,132,353
Recognition of equity settled share based payment	–	–	–	44,945	–	–	44,945	–	44,945
Shares vested under share award scheme	–	–	–	(42,888)	–	746	(42,142)	–	(42,142)
Capital contribution from non-controlling interests ("NCI")	–	–	–	–	–	–	–	111,209	111,209
Capital contribution from shareholder	533,368	–	–	–	–	–	533,368	–	533,368
Dividends paid	–	–	–	–	–	(555,854)	(555,854)	–	(555,854)
Acquisition of NCI and deregistration of a subsidiary *(Note 31)*	(21,019)	(69,197)	–	–	–	2,592	(87,624)	(46,645)	(134,269)
Appropriation	–	–	5,457	–	–	(5,457)	–	–	–
At December 31, 2023	604,460	32,934	31,760	26,438	(5,776)	2,899,379	3,589,195	126,646	3,715,841
Profit for the year	–	–	–	–	–	1,258,239	1,258,239	13,489	1,271,728
Other comprehensive expense for the year	–	–	–	–	(16,739)	–	(16,739)	–	(16,739)

	Attributable to owners of the Company								
	Paid-in/ share capital	Other reserve	Surplus reserve	Share award scheme reserve	Translation reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Note 39)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total comprehensive (expense) income for the year	–	–	–	–	(16,739)	1,258,239	1,241,500	13,489	1,254,989
Recognition of equity settled share based payment	–	–	–	48,838	–	–	48,838	–	48,838
Shares vested under share award scheme	–	–	–	(48,473)	–	1,012	(47,461)	–	(47,461)
Dividends paid	–	–	–	–	–	(285,478)	(285,478)	–	(285,478)
Appropriation	–	–	7,383	–	–	(7,383)	–	–	–
At December 31, 2024	604,460	32,934	39,143	26,803	(22,515)	3,865,769	4,546,594	140,135	4,686,729
Profit for the year	–	–	–	–	–	1,266,621	1,266,621	22,765	1,289,386
Other comprehensive expense for the year	–	–	–	–	(24,856)	–	(24,856)	–	(24,856)
Total comprehensive (expense) income for the year	–	–	–	–	(24,856)	1,266,621	1,241,765	22,765	1,264,530
Recognition of equity settled share based payment	–	–	–	36,803	–	–	36,803	–	36,803
Shares vested under share award scheme	–	–	–	(48,649)	–	(172)	(48,821)	–	(48,821)
Effect of Reorganization (as defined in Note 2)	(604,460)	(32,934)	–	–	–	(1,057,596)	(1,694,990)	(162,900)	(1,857,890)
Issue of ordinary shares	2,000,000	–	–	–	–	–	2,000,000	–	2,000,000
Dividends paid	–	–	–	–	–	(3,069,909)	(3,069,909)	–	(3,069,909)
Appropriation	–	–	88,530	–	–	(88,530)	–	–	–
At December 31, 2025	2,000,000	–	127,673	14,957	(47,371)	916,183	3,011,442	–	3,011,442

	Attributable to owners of the Company								
	Paid-in/ share capital	Other reserve	Surplus reserve	Share award scheme reserve	Translation reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Note 39)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2026	2,000,000	–	127,673	14,957	(47,371)	916,183	3,011,442	–	3,011,442
Profit for the period	–	–	–	–	–	665,453	665,453	–	665,453
Other comprehensive expense for the period	–	–	–	–	(9,127)	–	(9,127)	–	(9,127)
Total comprehensive (expense) income for the period	–	–	–	–	(9,127)	665,453	656,326	–	656,326
Recognition of equity settled share based payment	–	–	–	14,131	–	–	14,131	–	14,131
Shares vested under share award scheme	–	–	–	(10,315)	–	(905)	(11,220)	–	(11,220)
At June 30, 2026	2,000,000	–	127,673	18,773	(56,498)	1,580,731	3,670,679	–	3,670,679
At January 1, 2025	604,460	32,934	39,143	26,803	(22,515)	3,865,769	4,546,594	140,135	4,686,729
Profit for the period	–	–	–	–	–	650,387	650,387	6,856	657,243
Other comprehensive expense for the period	–	–	–	–	(17,823)	–	(17,823)	–	(17,823)
Total comprehensive (expense) income for the period	–	–	–	–	(17,823)	650,387	632,564	6,856	639,420
Recognition of equity settled share based payment	–	–	–	19,170	–	–	19,170	–	19,170
Shares vested under share award scheme	–	–	–	(27,874)	–	(623)	(28,497)	–	(28,497)
Dividends paid	–	–	–	–	–	(365,000)	(365,000)	–	(365,000)
At June 30, 2025 (unaudited)	604,460	32,934	39,143	18,099	(40,338)	4,150,533	4,804,831	146,991	4,951,822

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	1,270,489	1,427,249	1,492,529	741,806	749,316
Adjustments for:					
Depreciation of property plant and equipment	150,366	167,365	188,764	91,048	93,017
Depreciation of right-of-use assets	14,214	14,477	16,209	8,133	7,359
Depreciation of investment properties	–	–	497	–	484
Amortization of intangible assets	5,950	5,950	5,950	2,975	2,975
Allowance (reversal of allowance) for inventories	17,713	6,980	(1,284)	(4,367)	13,953
Impairment losses under ECL model, net of reversal	(3,861)	(1,237)	960	(184)	1,286
Losses (gains) on disposal of property, plant and equipment and right-of-use assets	341	1,728	(200)	316	(1,848)
Expense recognized in respect of share award scheme granted by the ultimate holding company	44,945	48,838	36,803	19,170	14,131
Interest income from short term fixed deposits and bank balances	(5,129)	(4,315)	(6,198)	(1,156)	(11,176)
Fair value changes of financial assets at FVTPL	(830)	(876)	(9,041)	(598)	(6,021)
Finance costs	7,172	10,898	14,304	6,144	9,111
Net foreign exchange (gains) losses	(9,907)	(6,652)	13,659	4,212	(112)
Operating cash flows before movements in working capital	1,491,463	1,670,405	1,752,952	867,499	872,475
Decrease (increase) in inventories	17,118	(173,596)	(216,153)	(151,521)	51,119
Increase in trade and other receivables and prepayments	(216,296)	(306,508)	(311,556)	(263,329)	(9,462)
(Increase) decrease in receivables at FVTOCI	(112,915)	(66,380)	(191,555)	(179,341)	157,700
(Increase) decrease in amounts due from related parties	(8,055)	(12,959)	(16,099)	(3,245)	6,921
Increase in amounts due to related parties	3,816	14,354	37,294	26,867	71,521
Increase (decrease) in trade and other payables	192,596	323,658	540,899	177,468	(152,391)
Increase (decrease) in contract liabilities	3,739	9,576	(15,326)	7,287	(16,757)
Increase (decrease) in deferred income	6,325	(10,731)	(8,942)	(4,472)	5,300
Cash generated from operations	1,377,791	1,447,819	1,571,514	477,213	986,426
Income tax paid	(105,503)	(123,991)	(152,749)	(105,643)	(117,468)
Net cash from operating activities	1,272,288	1,323,828	1,418,765	371,570	868,958

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
INVESTING ACTIVITIES					
Interest and investment income received	5,959	4,775	15,264	2,170	17,700
Placement of pledged bank deposits	–	–	(70,085)	–	–
Release of pledged bank deposits	–	–	–	–	56,064
Placement of short term fixed deposits	(53,456)	(74,478)	(73,084)	–	–
Release of short term fixed deposits	42,886	63,994	94,138	21,054	–
(Advance to) repayment from related parties	(533,274)	(557,104)	2,536,948	(25,723)	–
Purchases of unlisted financial products	(31,000)	(1,593,000)	(7,708,000)	(681,500)	(3,814,000)
Release of unlisted financial products	74,800	1,338,000	7,277,000	936,500	2,970,000
Purchases of property, plant and equipment	(319,857)	(475,844)	(280,747)	(216,513)	(170,697)
Proceeds from disposal of property, plant and equipment	1,009	1,921	11,069	5,604	7,760
Prepayments for land use right	(33,805)	–	(42,900)	–	–
Acquisition of land use right	(70,785)	(65,474)	–	–	(2,092)
Net cash (used in) from investing activities	(917,523)	(1,357,210)	1,759,603	41,592	(935,265)
FINANCING ACTIVITIES					
Interest paid	(7,172)	(9,012)	(38,558)	(11,724)	(16,744)
Dividends paid	(555,854)	(285,478)	(2,703,686)	(365,000)	(204,444)
Proceeds from notes financing	227,943	175,957	207,930	136,771	253,777
Payments for notes financing	(166,418)	(209,787)	(164,466)	(82,941)	(112,667)
New bank borrowings raised	18,393	140,000	674,190	154,918	10,675
Repayment of bank borrowings	–	(140,000)	(140,000)	–	–
Receipt of amounts due to related parties	28,331	420,521	695,249	239,813	–
Repayment of amounts due to related parties	(234,000)	(28,331)	(1,115,770)	(148,493)	–
Capital contribution from NCI	111,209	–	–	–	–
Capital contribution from shareholders	533,368	–	313,000	–	–
Repayments to NCI for the deregistration of a subsidiary	(39,809)	–	–	–	–
Repayments to shareholder for the deregistration of a subsidiary	(94,460)	–	–	–	–
Payments to the ultimate holding company for its shares under share award scheme	(25,921)	(62,165)	(15,464)	(1,449)	(2,098)
Repayments of lease liabilities	(13,139)	(12,633)	(13,176)	(6,519)	(5,506)
Payments of issue costs	–	–	(983)	–	(4,337)
Net cash outflow on acquisition of SAV and SAOV (as defined in Note 2)	–	–	(170,059)	–	–

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash 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)
Cash and cash equivalents at beginning of the year/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 year/period	315,227	271,010	971,482	596,917	807,962

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was established in the People's Republic of China (the "PRC") on November 12, 2025, as a joint stock company with limited liability. Its parent is Zhejiang Sunny Optics Co., Ltd. ("Sunny Zhejiang Optics") and throughout the Track Record Period and as at the date of this report, Sunny Optical Technology (Group) Company Limited ("Sunny Optical Technology") is the ultimate holding company of the Company before and after the transfers and acquisition as set out in Note 2 below. The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" of the Document.

Pursuant to the Reorganization (as defined and detailed in Note 2), which has been substantially completed on December 31, 2025, the Company became the holding company of the entities now comprising the Group since then, while certain subsidiaries' administrative register progress were completed in early January 2026.

The Company is an investment holding company. During the Track Record Period, the subsidiaries of the Company as set out in Note 38 (hereinafter together with the Company collectively referred to as the "Group") are principally engaged in the business of designing, researching and developing, manufacturing and selling of vehicle camera products and other vehicle optical products.

The Historical Financial Information are presented in Renminbi ("RMB") which is also the functional currency of the Company.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRS Accounting Standards 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" (details are set out below).

History and group reorganization

To rationalize the structure of the Group in preparation for the separate [**REDACTED**] of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "[**REDACTED**]"), Sunny Optical Technology underwent a series of group reorganization as further described below. The Company and the then subsidiaries are under the common control of Sunny Optical Technology, and (the "Reorganization") had been accounted for as business combination involving entities under common control using the principle of merger accounting.

i. The Company was established in the PRC on November 12, 2025 by Sunny Zhejiang Optics, an indirect wholly-owned subsidiary of Sunny Optical Technology.

ii. Summit Autotech Limited ("SA") was established in Hong Kong on November 12, 2025 and is wholly-owned by Ningbo Sunny Automotive Optech Co., Ltd. ("Sunny Automotive Optech"), an indirect wholly-owned subsidiary of Sunny Optical Technology.

iii. On December 5, 2025, SA entered into share purchase agreements with Summit Optical Investment Limited ("Summit Investment"), an indirect wholly-owned subsidiary of Sunny Optical Technology, for acquisition of 100% equity interest in Sunny Automotive Vina Co., Ltd. ("SAV") and Sunny Automotive Optech Vina Co., Ltd. ("SAOV") from Summit Investment.

iv. On December 29, 2025, Sunny Zhejiang Optics transferred its 100% equity interests in Sunny Automotive Optech to the Company, and the Company issued and allotted 1,596,000,000 Shares to Sunny Zhejiang Optics in return.

v. On December 29, 2025, Sunny Group Limited, an indirect wholly-owned subsidiary of Sunny Optical Technology, transferred its 77% equity interests in Zhejiang Sunny SmartLead Technologies Co., Ltd. ("Sunny SmartLead") to the Company, and the Company issued and allotted 234,000,000 Shares to Sunny Group Limited in return.

vi. On December 29, 2025, Smart Vista Technologies Company Limited ("Smart Vista"), a minority shareholder of Sunny SmartLead, held as to 86.51% by Yuantai Investment Partners Evergreen Fund L.P., whose managing partner is Mr. Shao Yang Dong, one of non-executive directors appointed on January 15, 2026, transferred its 23% equity interest in Sunny SmartLead to the Company, and the Company issued and allotted 70,000,000 Shares to Smart Vista in return. Upon completion of the transfer, Sunny SmartLead is held as to 100% by the Company.

The Reorganization has been substantially completed on December 31, 2025 and its administrative register progress was completed on January 9, 2026. Details of the Reorganization have been more fully explained in the section headed "History, Reorganization and Corporate Structure" in the Document.

Basis of preparation and presentation

The Reorganization had been reflected in the Historical Financial Information of the Group using the principle of merger accounting as if they had been combined from the date when the entities, under the Group, first came under the control of Sunny Optical Technology. Accordingly, the Historical Financial Information has been prepared on a combined basis by applying the principle of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the year ended 31 December 2023 and 2024, including the results, changes in equity and cash flows of the entities now comprising the Group, as if the Company had always been the holding company of the Group and the group structure upon completion of the Reorganization had been in existence throughout the Track Record Period, or since their respective date of establishment, incorporation or acquisition, where this is a shorter period.

The combined statements of financial position of the Group as at December 31, 2023 and 2024 have been prepared to present the assets and liabilities of the entities now comprising the Group, as if the Company had always been the holding company of the Group and the group structure upon completion of the Reorganization had been in existence at those dates taking into account the respective dates of establishment, incorporation or acquisition, where applicable.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the Group's accounting period beginning on January 1, 2026, throughout the Track Record Period.

New and amendments to HKFRS Accounting Standards in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[2]
HKFRS 20	Regulatory Assets and Regulatory Liabilities[3]

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after January 1, 2027

3 Effective for annual periods beginning on or after January 1, 2029

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKAS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the NCI. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the NCI even if this results in the NCI having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NCI in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Merger accounting for business consolidation 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 consolidation.

Expenditure incurred in relation to a common control consolidation 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 from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 6 and 27.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of machine and staff dormitories that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets include:

- the amounts of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to NCI as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group 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 the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated 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 receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group 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".

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Employee Benefits

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another HKFRS Accounting Standard requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Shares granted by the ultimate holding company to employees of the Group

The Group purchases treasury stock from the ultimate holding company for its employee incentive in exchange for their service. For shares granted by the ultimate holding company under the Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme ("Restricted Shares"), the fair value of the employee services received is determined by reference to the fair value of the Restricted Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award scheme reserve). At the end of each reporting period, the Group revises its estimate of the number of Restricted Shares that are expected to vest based on assessment of all relevant non-market vesting conditions.

The impact of the revision of the original estimates, if any, is recognized in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share award scheme reserve. When the Restricted Shares are vested, the difference of the amount previously recognized in the share award scheme reserve and the cost of the related Restricted Shares previously acquired by the Group will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiarie except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax of leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

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). Property, plant and equipment are stated in the consolidated 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 the Group's 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 the Group makes 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 consolidated 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property, plant and equipment, right-of-use assets, intangible assets and investment in subsidiaries other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and the Company's investment in subsidiaries to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, intangible assets and the Company's investment in subsidiaries are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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 the Group 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

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 generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of 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 the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

Classification and subsequent measurement of financial assets

In addition, the Group may irrevocably designate a financial asset 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 (see below). 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

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.

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, receivables at FVTOCI, amounts due from related parties, short term fixed deposits, pledged bank deposits and bank balances and cash) which are subject to impairment assessment under HKFRS 9.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for receivables that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognized through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item (Note 8) as part of the net foreign exchange gains/(losses);

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item as part of the gain/(loss) on changes in fair value of derivative financial instruments (Note 8).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of the receivables that are measured at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI., the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

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 the Company are recognized at the proceeds received, net of direct issued costs.

Repurchase of the Company's 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 cancelation of the Company's 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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

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 (Note 8) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company 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 coming twelve months.

Provision of ECL for trade receivables

The Group uses 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 the Group's 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 the Group's trade receivables are disclosed in Notes 33 and 23 respectively.

Recognition of deferred tax assets

No deferred tax asset has been recognized at December 31, 2023, 2024 and 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 realisability 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.

6. REVENUE AND OPERATING SEGMENTS

Information reported to the board of directors, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by products and by geographic location of customers. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Specifically, the Group has one operating segment under HKFRS 8 Operating Segments.

(i) Disaggregation of revenue from contracts with customers

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue from sales of goods					
– Vehicle camera products	4,984,011	5,679,493	6,863,055	3,209,033	3,441,225
– Other vehicle optical products	278,193	309,764	325,785	142,985	260,380
	5,262,204	5,989,257	7,188,840	3,352,018	3,701,605

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Timing of revenue recognition					
A point in time	5,262,204	5,989,257	7,188,840	3,352,018	3,701,605

(ii) Performance obligations for contracts with customers and revenue recognition policies

The Group sells 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. The credit term granted to customers is average 90 days. The transaction price received by the Group is recognized as a contract liability for sales in which revenue has yet been recognized.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group's contract has an original expected duration of less than one year.

(iv) Geographical information

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Chinese Mainland	2,360,233	3,102,592	4,258,640	1,867,591	2,116,903
Europe	1,448,241	1,328,277	1,266,530	643,706	706,449
North America	732,549	719,537	719,853	356,254	410,568
Asia (except Chinese Mainland)	645,302	697,063	795,725	403,508	400,153
Others	75,879	141,788	148,092	80,959	67,532
Total	5,262,204	5,989,257	7,188,840	3,352,018	3,701,605

(v) Information about major customers

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Customer A	707,083	811,301	N/A *(note)*	354,615	N/A *(note)*
Customer B	774,407	631,063	N/A *(note)*	N/A *(note)*	N/A *(note)*
Customer C	594,517	N/A *(note)*	N/A *(note)*	N/A *(note)*	N/A *(note)*

Note: The corresponding revenue did not contribute over 10% of the revenue of the Group.

7. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Government grants *(Note a)*	40,488	28,349	26,419	11,409	14,177
Value-added tax ("VAT") exemption *(Note b)*	8,110	19,211	21,753	4,273	4,615
Interest income from short term fixed deposits, pledged bank deposits and bank balances	5,129	4,315	6,198	1,156	11,176
Others	3,285	7,521	5,594	2,294	6,357
	57,012	59,396	59,964	19,132	36,325

Notes:

(a) Further to Note 30, the amounts represent unconditional subsidies mainly related to research and development of technology projects. There are no unfulfilled conditions or contingencies relating to the above subsidies.

(b) Certain of the Company's subsidiaries are entitled preferential value-added tax treatments and received additional value-added tax deduction during the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026.

8. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net foreign exchange gains (losses)	48,437	47,237	(44,571)	(15,319)	(18,336)
(Losses) gains on disposal of property, plant and equipment and right-of-use assets	(341)	(1,728)	200	(316)	1,848
Fair value changes of financial assets at FVTPL	830	876	9,041	598	6,021
	48,926	46,385	(35,330)	(15,037)	(10,467)

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
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
Interests on amounts due to related parties *(Note 37(b))*	2,823	9,138	20,307	10,534	–
Total interests	7,224	16,724	30,794	14,930	16,744
Less: Amount capitalized in construction in progress	(52)	(5,826)	(16,490)	(8,786)	(7,633)
	7,172	10,898	14,304	6,144	9,111

10. PROFIT FOR THE YEAR/PERIOD

Profit for the Track Record Period has been arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Directors' emoluments *(Note 12)*	3,739	5,028	5,011	2,457	2,879
Other staff's salaries and allowances	546,703	592,370	686,327	338,154	341,726
Other staff's discretionary bonuses	70,598	99,471	90,469	46,130	35,291
Other staff's contribution to retirement benefits schemes	71,642	80,749	94,568	45,383	63,400

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Other staff's expense related to share award scheme granted by the ultimate holding company	43,555	47,567	35,403	18,470	13,072
Total staff costs	736,237	825,185	911,778	450,594	456,368
Capitalized in inventories	(282,369)	(319,606)	(380,156)	(183,379)	(192,333)
	453,868	505,579	531,622	267,215	264,035
Cost of inventories recognized as an expense	3,341,768	3,808,833	4,808,513	2,190,632	2,576,814
Auditor's remuneration	423	460	1,109	275	1,350
Allowance (reversal of allowance) for inventories (included in cost of sales)	17,713	6,980	(1,284)	(4,367)	13,953
Depreciation of property, plant and equipment	150,366	167,365	188,764	91,048	93,017
Depreciation of right-of-use assets	14,214	14,477	16,209	8,133	7,359
Amortization of intangible assets	5,950	5,950	5,950	2,975	2,975
Depreciation of investment properties	–	–	497	–	484
Total depreciation and amortization expenses	170,530	187,792	211,420	102,156	103,835
Capitalized in inventories	(124,714)	(133,829)	(154,900)	(72,685)	(71,527)
	45,816	53,963	56,520	29,471	32,308
Gross rental income from investment properties	–	–	2,898	–	3,072
Less:					
Direct operating expenses incurred for investment properties that generated rental income during the year	–	–	(497)	–	(484)
	–	–	2,401	–	2,588

11. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current tax:					
– PRC Enterprise Income Tax ("EIT")	102,902	102,656	116,318	53,786	47,910
– Other jurisdictions	30,693	39,121	47,066	24,253	24,451
– Top-up tax under Pillar Two Rules	–	16,777	48,061	6,895	6,197
	133,595	158,554	211,445	84,934	78,558

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Under provision in prior years	4,074	–	–	–	–
Deferred tax *(Note 19)*:					
– Current year	(7,614)	(3,033)	(8,302)	(371)	5,305
	130,055	155,521	203,143	84,563	83,863

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% for the Track Record Period, except as described below:

(i) 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.

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

The Group is subject to the global minimum top-up tax Pillar Two Rules during the year ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026. Pillar Two Rules has become effective in 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 the Group's operation in Vietnam, Hong Kong and Chinese mainland, where the annual effective income tax rates are estimated to be below 15 per cent. Therefore, a top-up tax is accrued using the tax rate based on the estimated adjusted covered taxes and net globe income for the year ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026. The Group has recognized the current tax expense of RMB16,777,000 and RMB6,895,000 (unaudited) related to the top-up tax for the year ended December 31, 2024 and the six months ended June 30, 2025 respectively, which is expected to be levied on Vietnam. The Group has recognized the current tax expense of RMB48,061,000 and RMB6,197,000 related to the top-up tax for the year ended December 31, 2025 and the six months ended June 30, 2026 respectively, which is expected to be levied on Vietnam and Hong Kong.

The Group has 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.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before tax	1,270,489	1,427,249	1,492,529	741,806	749,316
Tax at the PRC EIT tax rate of 25%	317,622	356,812	373,132	185,452	187,329
Tax effect of expenses not deductible for tax purpose	3,322	3,981	1,050	115	1,144
Tax effect of allowance under share award scheme in the PRC granted by the ultimate holding company	3,308	5,765	(2,802)	(2,402)	24

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Tax effect of preferential tax rates for certain subsidiaries *(note a)*	(61,372)	(63,268)	(71,288)	(36,204)	(36,609)
Tax effect of additional tax deduction of research and development expenses *(note b)*	(103,081)	(108,755)	(88,896)	(45,996)	(39,274)
Tax effect of tax losses not recognized	6,560	4,053	13,306	13,685	4,351
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(40,378)	(59,844)	(69,420)	(36,982)	(39,299)
Top-up tax under Pillar Two Rules	–	16,777	48,061	6,895	6,197
Under provision in prior years	4,074	–	–	–	–
Income tax expense for the year/period	130,055	155,521	203,143	84,563	83,863

Details of deferred taxation and unrecognized temporary difference are disclosed in Note 19.

Notes:

(a) For the PRC subsidiaries which were approved as Hi-Tech Enterprises, they are entitled to a preferential enterprise tax rate of 15%.

(b) In March 2023, the Ministry of Finance and the State Administration of Taxation released No. 7 announcement of 2023 named "Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses", according to which certain PRC subsidiaries are entitled to an additional 100% tax deduction on eligible research and development expenses during the Track Record Period.

12. DIRECTORS' AND JOINT PRESIDENTS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors and joint presidents of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended December 31, 2023

	Date of appointment	Directors' fee	Salaries and allowances	Performance -based bonuses	Retirement benefit scheme contributions	Share award	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note vii)*	*RMB'000*
Executive directors and joint presidents:							
Xie Qiansen *(Note i)*	Note ii	–	492	420	38	740	1,690
Zhang Kouwen *(Note i)*	Note iii	–	560	791	48	650	2,049

	Date of appointment	Directors' fee	Salaries and allowances	Performance -based bonuses	Retirement benefit scheme contributions	Share award	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note vii)*	*RMB'000*
Non-executive directors:							
Wang Wenjie	Note iv	–	–	–	–	–	–
Ni Wenjun	Note iv	–	–	–	–	–	–
Shao Yang Dong	Note v	–	–	–	–	–	–
Independent non-executive directors:							
Wong Sau Pik	Note vi	–	–	–	–	–	–
Wu Wenguang	Note vi	–	–	–	–	–	–
Bai Jian	Note vi	–	–	–	–	–	–
		–	1,052	1,211	86	1,390	3,739

For the year ended December 31, 2024

	Date of appointment	Directors' fee	Salaries and allowances	Performance -based bonuses	Retirement benefit scheme contributions	Share award	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note vii)*	*RMB'000*
Executive directors and joint presidents:							
Xie Qiansen *(Note i)*	Note ii	–	530	956	40	740	2,266
Zhang Kouwen *(Note i)*	Note iii	–	589	1,607	35	531	2,762
Non-executive directors:							
Wang Wenjie	Note iv	–	–	–	–	–	–
Ni Wenjun	Note iv	–	–	–	–	–	–
Shao Yang Dong	Note v	–	–	–	–	–	–
Independent non-executive directors:							
Wong Sau Pik	Note vi	–	–	–	–	–	–
Wu Wenguang	Note vi	–	–	–	–	–	–
Bai Jian	Note vi	–	–	–	–	–	–
		–	1,119	2,563	75	1,271	5,028

For the year ended December 31, 2025

	Date of appointment	Directors' fee	Salaries and allowances	Performance -based bonuses	Retirement benefit scheme contributions	Share award	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note vii)*	*RMB'000*
Executive directors and joint presidents:							
Xie Qiansen *(Note i)*	Note ii	–	594	899	44	854	2,391
Zhang Kouwen *(Note i)*	Note iii	–	670	1,340	64	546	2,620
Non-executive directors:							
Wang Wenjie	Note iv	–	–	–	–	–	–
Ni Wenjun	Note iv	–	–	–	–	–	–
Shao Yang Dong	Note v	–	–	–	–	–	–

	Date of appointment	Directors' fee	Salaries and allowances	Performance -based bonuses	Retirement benefit scheme contributions	Share award	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note vii)*	*RMB'000*
Independent non-executive directors:							
Wong Sau Pik	Note vi	–	–	–	–	–	–
Wu Wenguang	Note vi	–	–	–	–	–	–
Bai Jian	Note vi	–	–	–	–	–	–
		–	1,264	2,239	108	1,400	5,011

For the six months ended June 30, 2025 (unaudited)

	Date of appointment	Directors' fee	Salaries and allowances	Performance -based bonuses	Retirement benefit scheme contributions	Share award	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note vii)*	*RMB'000*
Executive directors and joint presidents:							
Xie Qiansen *(Note i)*	Note ii	–	274	450	22	427	1,173
Zhang Kouwen *(Note i)*	Note iii	–	309	670	32	273	1,284
Non-executive directors:							
Wang Wenjie	Note iv	–	–	–	–	–	–
Ni Wenjun	Note iv	–	–	–	–	–	–
Shao Yang Dong	Note v	–	–	–	–	–	–
Independent non-executive directors:							
Wong Sau Pik	Note vi	–	–	–	–	–	–
Wu Wenguang	Note vi	–	–	–	–	–	–
Bai Jian	Note vi	–	–	–	–	–	–
		–	583	1,120	54	700	2,457

For the six months ended June 30, 2026

	Date of appointment	Directors' fee	Salaries and allowances	Performance -based bonuses	Retirement benefit scheme contributions	Share award	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note vii)*	*RMB'000*
Executive directors and joint presidents:							
Xie Qiansen *(Note i)*	Note ii	–	308	450	55	621	1,434
Zhang Kouwen *(Note i)*	Note iii	–	294	670	43	438	1,445
Non-executive directors:							
Wang Wenjie	Note iv	–	–	–	–	–	–
Ni Wenjun	Note iv	–	–	–	–	–	–
Shao Yang Dong	Note v	–	–	–	–	–	–
Independent non-executive directors:							
Wong Sau Pik	Note vi	–	–	–	–	–	–
Wu Wenguang	Note vi	–	–	–	–	–	–
Bai Jian	Note vi	–	–	–	–	–	–
		–	602	1,120	98	1,059	2,879

Notes:

i. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

ii. Mr. Xie Qiansen was appointed as the executive director and joint president on November 7, 2025.

iii. Mr. Zhang Kouwen was appointed as the executive director and joint president on January 15, 2026.

iv. Mr. Wang Wenjie and Mr. Ni Wenjun were appointed as the non-executive directors of the Company on November 7, 2025.

v. Mr. Shao Yang Dong was appointed as the non-executive director of the Company on January 15, 2026.

vi. Ms. Wong Sau Pik, Mr. Wu Wenguang and Mr. Bai Jian were appointed as independent non-executive directors of the Company on January 15, 2026 with effect from the [**REDACTED**].

vii. The share award scheme is granted by the ultimate holding company.

During the Track Record Period, no remuneration was paid by the Group to the directors nor the joint presidents of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors and joint presidents of the Company waived or agree to waive any remuneration during the Track Record Period.

Five Highest Paid Employees' Remuneration

The five highest paid employees of the Group during each year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026 included 2 directors, details of whose remuneration are set out in the Note 12 above.

The remunerations in respect of the remaining 3 individuals during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and allowances	2,252	1,998	1,660	879	1,383
Performance-based bonuses	1,814	3,558	3,483	1,911	1,396
Contributions to retirement benefits schemes	164	164	141	76	118
Share award scheme granted by the ultimate holding company	2,828	2,726	2,247	1,258	734
	7,058	8,446	7,531	4,124	3,631

During the Track Record Period, the remunerations of the five highest paid individuals are within following bands (presented in Hong Kong Dollar ("HKD")):

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
				(unaudited)	
HKD500,001 to HKD1,000,000	–	–	–	1	–
HKD1,000,001 to HKD1,500,000	–	–	–	3	2
HKD1,500,001 to HKD2,000,000	2	1	1	–	3
HKD2,000,001 to HKD2,500,000	2	1	1	–	–
HKD2,500,001 to HKD3,000,000	–	1	2	1	–
HKD3,000,001 to HKD3,500,000	–	1	–	–	–
HKD3,500,001 to HKD4,000,000	1	–	–	–	–
HKD4,000,001 to HKD4,500,000	–	–	1	–	–
HKD4,500,001 to HKD5,000,000	–	1	–	–	–
	5	5	5	5	5

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals waived any remuneration during the Track Record Period.

13. DIVIDENDS

Dividend was declared and paid by certain subsidiaries of the Company for the year ended December 31, 2023 and 2024 in the amount of a total of RMB555,854,000 and RMB285,478,000, respectively. Dividend was declared in the amount of RMB3,069,909,000 and paid in the amount of RMB2,703,686,000 by certain subsidiaries of the Company for the year ended 2025. As at December 31, 2025, the dividend payable is RMB366,223,000. No dividend was declared by the Company and its subsidiaries for the period ended June 30, 2026. As at June 30, 2026, the dividend payable is RMB150,710,000.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period attributable to owners of the Company, for the purposes of basic earnings per share	1,128,215	1,258,239	1,266,621	650,387	665,453

	Number of shares				
	December 31,			June 30,	
	2023	2024	2025	2025	2026
	'000	*'000*	*'000*	*'000 (unaudited)*	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganization and issue of 2,000,000,000 ordinary shares (details are set out in Note 31) were completed on January 1, 2023.

No diluted earnings per share is presented as there were no dilutive potential ordinary shares outstanding during the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026.

15. PROPERTY, PLANT AND EQUIPMENT

	Owned properties	Machinery and production equipment	Motor vehicles	Fixtures and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At January 1, 2023	27,555	895,006	673	54,780	1,773	979,787
Additions	181	269,723	287	–	76,784	346,975
Transfer	–	1,405	–	–	(1,405)	–
Disposals	–	(4,664)	–	(1,042)	–	(5,706)
Exchange realignment	(326)	(546)	–	(16)	–	(888)
At December 31, 2023	27,410	1,160,924	960	53,722	77,152	1,320,168
Additions	347	146,937	632	8,317	333,306	489,539
Transfer	72,258	9,168	–	994	(82,420)	–
Disposals	–	(20,846)	–	(1,325)	–	(22,171)
Exchange realignment	(866)	(2,037)	(10)	(60)	(5,235)	(8,208)
At December 31, 2024	99,149	1,294,146	1,582	61,648	322,803	1,779,328
Additions	–	325,508	–	11,792	157,323	494,623
Transfer	62,361	21,891	–	38,314	(122,566)	–
Transfer to investment properties *(Note 16)*	(32,942)	–	–	–	–	(32,942)
Disposals	–	(407,540)	(443)	(2,916)	–	(410,899)
Exchange realignment	(5,237)	(4,865)	(30)	(287)	(15,882)	(26,301)
At December 31, 2025	123,331	1,229,140	1,109	108,551	341,678	1,803,809
Additions	–	70,934	6	3,720	164,921	239,581
Transfer	60,744	30,906	–	461	(92,111)	–
Transfer to investment properties *(Note 16)*	(5,003)	–	–	–	–	(5,003)
Disposals	–	(15,323)	–	(649)	–	(15,972)
Exchange realignment	(3,938)	(3,739)	(15)	(1,346)	(8,294)	(17,332)
At June 30, 2026	175,134	1,311,918	1,100	110,737	406,194	2,005,083

	Owned properties	Machinery and production equipment	Motor vehicles	Fixtures and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ACCUMULATED DEPRECIATION						
At January 1, 2023	2,773	309,135	540	35,910	–	348,358
Charge for the year	1,091	142,881	63	6,331	–	150,366
Eliminated on disposals	–	(3,396)	–	(960)	–	(4,356)
Exchange realignment	(33)	(63)	–	(5)	–	(101)
At December 31, 2023	3,831	448,557	603	41,276	–	494,267
Charge for the year	1,318	159,059	165	6,823	–	167,365
Eliminated on disposals	–	(17,281)	–	(1,241)	–	(18,522)
Exchange realignment	(121)	(346)	(1)	(23)	–	(491)
At December 31, 2024	5,028	589,989	767	46,835	–	642,619
Charge for the year	4,413	174,079	196	10,076	–	188,764
Eliminated on disposals	–	(211,509)	(415)	(2,465)	–	(214,389)
Exchange realignment	(266)	(1,013)	(7)	(57)	–	(1,343)
At December 31, 2025	9,175	551,546	541	54,389	–	615,651
Charge for the period	3,009	83,799	90	6,119	–	93,017
Eliminated on disposals	–	(8,142)	–	(613)	–	(8,755)
Exchange realignment	(271)	(795)	(6)	(143)	–	(1,215)
At June 30, 2026	11,913	626,408	625	59,752	–	698,698
CARRYING VALUES						
At December 31, 2023	23,579	712,367	357	12,446	77,152	825,901
At December 31, 2024	94,121	704,157	815	14,813	322,803	1,136,709
At December 31, 2025	114,156	677,594	568	54,162	341,678	1,188,158
At June 30, 2026	163,221	685,510	475	50,985	406,394	1,306,385

Except for construction in progress, the above items of property, plant and equipment after taking into account the residual values are depreciated on a straight-line basis over their estimated useful lives as follows:

Owned properties	20 to 25 years
Machinery and production equipment	3 to 10 years
Motor vehicles	4 to 5 years
Fixtures and office equipment	3 to 10 years

As at December 31, 2023, 2024 and 2025 and June 30, 2026, the Group has obtained the ownership certificates for all buildings and no buildings of the Group were pledged to secure bank borrowings granted.

The directors of the Company considered no impairment loss on property, plant and equipment for year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026.

16. INVESTMENT PROPERTIES

The Group leases out factory under operating leases with rentals payable quarterly. The leases typically run for fixed period from 4 to 5 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of the group entities. The lease contracts do not contain residual value guarantee and lessee's option to purchase the property at the end of lease term.

	Total
	RMB'000
COST	
At January 1, 2023, December 31, 2023 and December 31, 2024	–
Transfer from property, plant and equipment and right-of-use assets *(Notes 15 and 17)*	34,429
At December 31, 2025	34,429
Transfer from property, plant and equipment and right-of-use assets *(Notes 15 and 17)*	5,213
Exchange realignment	(965)
At June 30, 2026	38,677
DEPRECIATION	
At January 1, 2023, December 31, 2023 and December 31, 2024	–
Charge for the year	497
At December 31, 2025	497
Charge for the period	484
Exchange realignment	(8)
At June 30, 2026	973
CARRYING VALUES	
At June 30, 2026	37,704
At December 31, 2025	33,932
At December 31, 2023 and 2024	–

All of the investment properties are measured using the cost model. The fair value of the Group's investment properties as at December 31, 2025 and June 30, 2026 was RMB39,343,000 and RMB42,789,000, respectively, which is based on valuation carried out on that date by a firm of independent qualified professional valuers not connected to the Group.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	At December 31, 2025	
	Carrying Amount	Fair value at Level 3 hierarchy
	RMB'000	*RMB'000*
Commercial property units	33,932	39,343

	At June 30, 2026	
	Carrying Amount	Fair value at Level 3 hierarchy
	RMB'000	*RMB'000*
Commercial property units	37,704	42,789

The above investment properties are depreciated on a straight-line basis from 25 to 43 years.

As at December 31, 2023, 2024 and 2025 and June 30, 2026, no investment properties of the Group were pledged to secure bank borrowings granted.

The directors of the Company considered no impairment loss on investment properties for year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026.

17. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	RMB'000	*RMB'000*	*RMB'000*
CARRYING AMOUNT			
As at December 31, 2023	77,472	52,784	130,256
As at December 31, 2024	139,206	39,584	178,790
As at December 31, 2025	127,255	26,385	153,640
As at June 30, 2026	166,531	16,951	183,482
For the year ended December 31, 2023			
Depreciation charge	97	14,117	14,214
For the year ended December 31, 2024			
Depreciation charge	1,278	13,199	14,477
For the year ended December 31, 2025			
Depreciation charge	3,010	13,199	16,209
For the six months ended June 30, 2026			
Depreciation charge	1,805	5,554	7,359

As at December 31, 2023, 2024 and 2025 and June 30, 2026, the Group has obtained the land use right certificates for all leasehold lands and no leasehold lands of the Group were pledged to secure bank borrowings granted. During the year ended December 31, 2025 and six months ended June 30, 2026, the Group transferred RMB1,487,000 and RMB210,000 of leasehold lands to investment properties, respectively (Note 16).

The directors of the Company considered no impairment loss on right-of-use assets for the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Expenses relating to short-term leases	6,171	9,246	14,355	8,055	4,984
Total cash outflow for leases	92,615	89,331	28,966	15,361	12,906
Addition to right-of-use assets	85,233	65,474	–	–	45,498

During the Track Record Period, the Group leases various offices and plants for its operations. Lease contracts are entered into for fixed term of 56 months to approximately 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several office buildings and industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for staff dormitories and machines. As at December 31, 2023, 2024 and 2025 and June 30, 2026, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short term lease expense disclosed above.

Restrictions or covenants of the leases

As at December 31, 2023, 2024 and 2025 and June 30, 2026, lease liabilities of RMB53,871,000, RMB41,238,000, RMB28,062,000 and RMB17,372,000 are recognized with related right-of-use assets of RMB52,784,000, RMB39,584,000, RMB26,385,000 and RMB16,951,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The Group is restricted from assigning and subleasing certain leased assets outside the Group.

18. INTANGIBLE ASSETS

	Patents and others
	RMB'000
COST	
At January 1, 2023, December 31, 2023, December 31, 2024 and 2025 and June 30, 2026	125,900
AMORTIZATION	
At January 1, 2023	89,900
Charge for the year	5,950
At December 31, 2023	95,850
Charge for the year	5,950
At December 31, 2024	101,800
Charge for the year	5,950
At December 31, 2025	107,750
Charge for the period	2,975
At June 30, 2026	110,725
CARRYING VALUES	
At June 30, 2026	15,175
At December 31, 2025	18,150
At December 31, 2024	24,100
At December 31, 2023	30,050

The Group held patents and others acquired from the acquisition of Sunny Mobility Technologies (Ningbo) Co., Ltd. ("Sunny Mobility") (formerly known as Wuxi Wissen Intelligent Sensing Technology Co., Ltd.) to develop the advanced driving assistant system in automobile industry, which were recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any.

These intangible assets have finite useful lives and are amortized on a straight-line basis over 10 years.

No impairment was recognized in respect of above intangible assets during the Track Record Period as the management considered that no indicator of impairment was identified.

19. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for the financial reporting purpose:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	(4,643)	(8,877)	(8,648)	(5,324)
Deferred tax liabilities	50,680	51,881	43,350	45,331
	46,037	43,004	34,702	40,007

The following are the major deferred tax liabilities (assets) recognized and movements thereon during the Track Record Period:

	Allowance for inventories and ECL provision	Deferred subsidy income	Accelerated depreciation	Right-of- use assets	Lease liabilities	Fair Value adjustments revaluation	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	(3,479)	(2,162)	61,281	9,897	(9,897)	3,907	(5,896)	53,651
(Credit) charge to profit or loss *(Note 11)*	(2,011)	(949)	1,405	(1,979)	1,816	(646)	(5,250)	(7,614)
At December 31, 2023	(5,490)	(3,111)	62,686	7,918	(8,081)	3,261	(11,146)	46,037
(Credit) charge to profit or loss *(Note 11)*	(976)	1,610	17	(1,980)	1,895	(646)	(2,953)	(3,033)
At December 31, 2024	(6,466)	(1,501)	62,703	5,938	(6,186)	2,615	(14,099)	43,004
Charge (credit) to profit or loss *(Note 11)*	110	1,341	(8,083)	(1,980)	1,977	(645)	(1,022)	(8,302)
At December 31, 2025	(6,356)	(160)	54,620	3,958	(4,209)	1,970	(15,121)	34,702
(Credit) charge to profit or loss *(Note 11)*	(2,062)	(875)	2,560	(1,415)	1,603	(323)	5,817	5,305
At June 30, 2026	(8,418)	(1,035)	57,180	2,543	(2,606)	1,647	(9,304)	40,007

As at December 31, 2023, 2024 and 2025 and June 30, 2026, the Group had unused tax losses of approximately RMB302,069,000, RMB334,023,000, RMB339,800,000 and RMB362,563,000, respectively, available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. The expiry dates are disclosed in the following table.

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2024	320	–	–	–
2025	2,247	2,247	–	–

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2026	12,537	12,537	8,752	8,752
2027	28,914	28,914	22,384	22,384
2028	48,864	48,864	43,627	43,627
2029	31,416	47,167	36,365	36,365
2030	9,720	9,720	24,896	24,896
2031	46,046	46,046	35,890	35,890
2032	78,275	78,275	59,902	59,902
2033	43,730	43,730	25,129	25,129
2034	–	16,523	7,754	7,754
2035	–	–	75,101	75,101
2036	–	–	–	22,763
	302,069	334,023	339,800	362,563

20. PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHT

The prepayments are paid for construction of factory buildings, acquisition of lands, plants and equipment located in the PRC and Vietnam for the expansion of the Group's production plants.

During the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the Group paid an amount of approximately RMB3,719,000, RMB27,514,000, RMB35,275,000, and RMB31,023,000 as the prepayments for acquisition of property, plant and equipment, respectively, and transferred an amount of approximately RMB39,596,000, RMB5,452,000, RMB25,830,000, and RMB14,076,000 to property, plant and equipment, respectively.

During the year ended December 31, 2023, the Group paid an amount of approximately RMB33,805,000 as the prepayments for acquisition of land use right, which was transferred to right of use asset upon obtaining the land during the year ended December 31, 2024. During the year ended December 31, 2025, the Group paid an amount of approximately RMB42,900,000 as the prepayments for acquisition of land use right, which was transferred to right of use asset upon obtaining the land during the six months ended June 30, 2026.

21. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted financial products	–	255,416	687,247	1,534,998

The Company

	As at December 31,	As at June 30,
	2025	2026
	RMB'000	*RMB'000*
Unlisted financial products	90,034	68,043

During the year ended December 31, 2024 and 2025 and the six months ended June 30, 2026, the Group and the Company entered into several contracts of unlisted financial products with banks. The unlisted financial products are managed by related banks in the PRC to invest principally in certain financial assets including bonds, trusts and cash funds, etc. The unlisted financial products have been accounted for financial assets at FVTPL on initial recognition of which the return of the unlisted financial products was determined by reference to the performance of

the underlying debt instruments and treasury notes as at December 31, 2024, 2025 and June 30, 2026, the expected return rate stated in the contracts ranges from 1.88% to 2.21%, 0.70% to 2.10% and 1.70% to 2.56% per annum for the year ended December 31, 2024 and 2025 and the six months ended June 30, 2026, respectively.

22. INVENTORIES

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	620,953	787,569	1,005,006	939,934

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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)
	1,321,498	1,591,662	1,955,091	1,951,704
Other receivables and prepayments				
Value added tax and other tax receivables	45,015	83,468	48,591	57,975
Advance to suppliers	8,518	4,586	13,624	7,454
Prepaid expenses	27,086	28,731	4,292	7,705
Deferred issue costs	–	–	3,222	5,778
Others	28,033	29,448	26,037	26,719
	108,652	146,233	95,766	105,631
Total trade and other receivables and prepayments	1,430,150	1,737,895	2,050,857	2,057,335

As at January 1, 2023, trade receivables amounted to RMB1,091,372,000 (net of impairment loss allowance of RMB104,000).

The Group allows a credit period of average 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit loss presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

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

As at December 31, 2023, 2024 and 2025 and June 30, 2026, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB3,422,000, RMB17,790,000, RMB270,000 and RMB11,712,000, respectively, which are past due as at the reporting date. Out of the past due balances, RMB460,000, RMB244,000, nil and RMB4,000 has been past due 90 days or more.

Details of impairment assessment of trade and other receivables are set out in Note 33(b).

Trade and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
U.S. dollar ("USD")	770,247	811,757	516,956	709,288
Euro ("EUR")	5,156	2,169	2,178	8,306
Japanese Yen ("JPY")	176	–	27	–
	775,579	813,926	519,161	717,594

The Company

	As at December 31,	As at June 30,
	2025	2026
	RMB'000	*RMB'000*
Other receivables and prepayments		
Deferred issue cost	3,222	5,778
Prepaid expenses	844	1,117
Value added tax and other tax receivables	–	1,327
	4,066	8,222

24. RECEIVABLES AT FVTOCI

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables at FVTOCI comprise:				
Bill receivables	162,278	210,265	401,820	157,335

The balance represents bills receivables held by the Group which is measured at FVTOCI since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group has discounted certain bills receivables to banks or endorsed certain bills receivables to its suppliers to settle its payables. These bills are issued or guaranteed by reputable PRC banks with high credit ratings. As the Group has transferred substantially all the risks of these bills to relevant banks/suppliers, it has derecognized these bills receivables.

As at December 31, 2023, 2024 and 2025 and June 30, 2026, the following table shows Group's bill receivables amounted to RMB19,722,000, RMB6,615,000, nil and RMB10,675,000, respectively, being endorsed to certain suppliers for settlement of trade payables or being discounted to certain banks to obtain the funding which the management considered that the Group has not transferred the significant risks and rewards relating to the bill receivables, it continues to recognize the full amount of bill receivables.

As at December 31, 2023

	Bills discounted to banks with full recourses	Bills endorsed to suppliers with full recourses	Total
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	18,393	1,329	19,722
Carrying amount of associated liabilities	(18,393)	(1,329)	(19,722)
Net position	–	–	–

As at December 31, 2024

	Bills discounted to banks with full recourses	Bills endorsed to suppliers with full recourses	Total
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	–	6,615	6,615
Carrying amount of associated liabilities	–	(6,615)	(6,615)
Net position	–	–	–

As at June 30, 2026

	Bills discounted to banks with full recourses	Bills endorsed to suppliers with full recourses	Total
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	10,675	–	10,675
Carrying amount of associated liabilities	(10,675)	–	(10,675)
Net position	–	–	–

At the end of each reporting periods, the Group's bills received by Group with the following maturity:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	144,870	169,231	300,365	141,437
91 to 180 days	17,408	41,034	101,455	15,898
	162,278	210,265	401,820	157,335

Details of impairment assessment of bill receivables are set out in Note 33(b).

25. SHORT TERM FIXED DEPOSITS/CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

Short term fixed deposits carry fixed interest rate at 3.75% and 4.40% per annum for the year ended December 31, 2023 and 2024, respectively. Short term fixed deposits have original maturity dates more than three months but less than one year and therefore classified as current assets. The Group has no short term fixed deposits as of December 31, 2025 and June 30, 2026.

Cash and cash equivalents include demand deposits and short term deposits with original maturity dates less than three months for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.01% to 1.55%, from 0.01% to 1.30%, from 0.01% to 3.66%, and from 0.01% to 3.62% per annum for the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively.

Details of impairment assessment of short term fixed deposits and bank balances are set out in Note 33(b).

Bank balances and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	109,724	91,056	516,837	357,476
EUR	203	10,107	22,485	21,202
JPY	197	39	22	391
	110,124	101,202	539,344	379,069

As at December 31, 2025 and June 30, 2026, the Group pledged certain of its bank deposits to banks as security for bank acceptance bills and the pledged bank deposits carry fixed interest rates ranging from 0.05% to 0.90% per annum. The pledged bank deposits will be released upon the maturity of relevant bills.

26. TRADE AND OTHER PAYABLES

The Group

The following is an aged analysis of trade payables presented based on the invoice dates and note payables presented based on maturity date at the end of each reporting period.

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Trade payables				
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 trade payables	996,798	1,205,255	1,468,399	1,242,122
Note payables *(note)*				
Within 90 days	217,239	199,615	255,812	488,575
91 to 180 days	118,516	124,227	276,555	359,988
Over 180 days	–	14,967	36,722	–
	335,755	338,809	569,089	848,563
Payables for purchase of property, plant and equipment	20,063	7,910	24,895	37,729
Staff salaries and welfare payables	188,743	253,839	297,219	180,905
Service fees payables	43,928	39,026	44,051	37,719
Value added tax payables and other tax payables	14,195	24,254	29,843	42,421
Warranty provision	–	1,566	4,359	7,228
Accrued [**REDACTED**]	–	–	6,343	1,297
Accrued issue cost	–	–	2,239	458
Others	13,112	18,722	36,475	74,551
	280,041	345,317	445,424	382,308
	1,612,594	1,889,381	2,482,912	2,472,993

The suppliers generally allow the credit period up to 180 days to the Group over the Track Record Period.

Note: During the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, certain of the Company's subsidiaries received bills from the other subsidiaries and discounted the certain bills to bank. The cash flows of such transactions have been presented in cash flow statement as financing activities.

The Company

	As at December 31,	As at June 30,
	2025	2026
	RMB'000	*RMB'000*
Accrued [**REDACTED**]	6,343	1,297
Accrued issue cost	2,239	458
Staff salaries and welfare payables	–	436
Value added tax payables and other tax payables	1,643	12
	10,225	2,203

27. CONTRACT LIABILITIES

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	23,878	38,283	26,387	11,069

As at January 1, 2023, contract liabilities amounted to RMB17,035,000.

The contract liability is the consideration received from the customers which represents the Group's remaining obligation to transfer goods to customers. Contract liabilities that are not expected to be settled within the Group's normal operating cycle are classified as current and non-current liabilities based on the Group's earliest obligation to transfer goods to the customers.

All the contract liabilities were expected to recognize as revenue within one year. The opening balance of contract liabilities has been recognized as revenue in the respective year.

28. BANK BORROWINGS

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured and unguaranteed	18,393	–	–	10,675
Unsecured and guaranteed	–	–	534,190	517,629
	18,393	–	534,190	528,304
The carrying amounts of the above borrowings are repayable:				
Within one year	18,393	–	534,190	528,304

The Group's bill receivables being discounted to certain banks to obtain the funding which the management considered that the Group has not transferred the significant risks and rewards relating to the bill receivables, it continues to recognize the full amount of bill receivables and recognize bank borrowings. The amounts due are based on the billing receivables' maturity.

The exposure of the Group's bank borrowings are as follows:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings *(note i)*	18,393	–	–	10,675
Variable-rate borrowings *(note ii)*	–	–	534,190	517,629
	18,393	–	534,190	528,304

The range of effective interest rates per annum (which are equal to contractual interest rates) on the Group's bank borrowings are as follows:

	Year ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2025	Six months ended June 30, 2026
Fixed-rate borrowings *(note i)*	0.92%	2.50%	N/A	0.75%-0.90%
Variable-rate borrowings *(note ii)*	N/A	N/A	4.73%- 4.83%	4.61%-4.65%

Notes:

(i) The Group obtained a loan of RMB140,000,000 in 2024 from bank with rate of 2.50% and fully repaid in the year ended December 31, 2024. The borrowing is guaranteed by Sunny Optical Technology Group (Note 37(d)). The borrowings guaranteed by Sunny Optical Technology Group have all been released by end of December 2025.

(ii) The Group obtained a loan of USD76,000,000 from bank with rate of 4.73% to 4.83% in the year ended December 31, 2025. The Group's variable-rate borrowings carry interest at Secured Overnight Financing Rate ("SOFR") plus spread of 1% per annum. This loan remained outstanding as at June 30, 2026.

29. LEASE LIABILITIES

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities payable:				
Within one year	12,633	13,176	13,744	11,289
Within a period of more than one year but not exceeding two years	13,176	13,744	14,318	5,819
Within a period of more than two years but not exceeding five years	28,062	14,318	–	264
	53,871	41,238	28,062	17,372
Less: Amount due for settlement within 12 months shown under current liabilities	(12,633)	(13,176)	(13,744)	(11,289)
Amount due for settlement after 12 months shown under non-current liabilities	41,238	28,062	14,318	6,083

The weighted average incremental borrowing rate applied to lease liabilities is 4.30% during the year ended December 31, 2023, 2024 and 2025. As at June 30, 2026, the incremental borrowing rate applied to lease liabilities ranged from 3.00% to 4.30%.

30. DEFERRED INCOME

Government grants of RMB23,625,000, RMB3,200,000, nil, and RMB7,000,000 have been received in the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively, related to assets and research and development projects. The amount has been treated as deferred income and recognized in the profit or loss over the expected useful lives of the relevant assets and necessary periods of the respective research and development projects to match the expenditures that they are intended to compensate.

RMB17,300,000, RMB13,931,000, RMB8,942,000, and RMB1,700,000 of deferred income has been released to profit or loss in the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively.

An amount of RMB20,740,000, RMB10,009,000, RMB1,067,000 and RMB6,367,000 deferred income remains to be amortized as at December 31, 2023, 2024 and 2025 and June 30, 2026, respectively, among which RMB12,865,000, RMB8,942,000, RMB1,067,000 and RMB2,867,000 will be amortized within one year and therefore classified as current liabilities.

31. PAID-IN/SHARE CAPITAL

The Group

The Reorganization has been substantially completed on December 31, 2025 and the Company became the holding company of the entities now comprising the Group since then. Therefore, the Historical Financial Information has been prepared as if the Group structure after the Reorganization had been in existence throughout the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026.

For the purposes of presentation of the consolidated statements of financial position, the balance of paid-in capital as at January 1, 2023 represented the paid-in capital of Sunny Automotive Optech, SAV and 68.67% of paid-in capital of Sunny Mobility. During the year 2023, Sunny Mobility transferred all of its equity interests in Sunny SmartLead to Sunny Group Limited, which acquired 77%, and to Smart Vista, which acquired 23%. After that, Sunny mobility was deregistered in the year of 2023. Therefore, the balance of paid-in capital as at December 31, 2023 and 2024 represented the paid-in capital of Sunny Automotive Optech, SAV, SAOV and 77% of paid-in capital of Sunny SmartLead prior to the completion of the Reorganization. As at December 31, 2025 and June 30, 2026, the balance of share capital represented the share capital of the Company.

	As at January 1,	As at December 31,			As at June 30,
Name of the entities	2023	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company	N/A	N/A	N/A	2,000,000	2,000,000
Sunny Automotive Optech	50,000	50,000	50,000	N/A	N/A
Sunny Mobility	21,019	N/A	N/A	N/A	N/A
Sunny SmartLead	N/A	372,307	372,307	N/A	N/A
SAV	21,092	21,092	21,092	N/A	N/A
SAOV *(note)*	N/A	161,061	161,061	N/A	N/A
	92,111	604,460	604,460	2,000,000	2,000,000

Note: SAOV was established in the year of 2023.

The Company

	Number of ordinary shares	Share capital
	'000	*RMB'000*
Ordinary shares of RMB 1.00 each		
Authorised:		
On November 12, 2025 (date of incorporation)	100,000	100,000
Increase on December 29, 2025	1,900,000	1,900,000
On December 31, 2025 and June 30, 2026	2,000,000	2,000,000
Issued and fully paid:		
On November 12, 2025 (date of incorporation)	100,000	100,000
Issued in consideration for the acquisition of the issued share capital of subsidiaries *(Note 2)*	1,900,000	1,900,000
On December 31, 2025 and June 30, 2026	2,000,000	2,000,000

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes the bank borrowings and lease liabilities disclosed in Notes 28 and 29 respectively, net of cash and cash equivalents and equity of the Group, comprising paid-in/share capital, retained profits, other reserves and NCI.

Management of the Group reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through payment of dividends, new share issues and raise of new borrowings or the redemption of existing debt.

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	–	255,416	687,247	1,534,998
Financial assets at amortized cost	3,748,274	4,571,634	3,124,870	2,887,383
Receivables at FVTOCI	162,278	210,265	401,820	157,335
	3,910,552	5,037,315	4,213,937	4,579,716
Financial liabilities				
Liabilities measured at amortized cost	1,540,088	2,140,355	3,203,208	3,131,109

b. Financial risk management objectives and policies

The Group's 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. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the market risks of currency risk, interest rate risk and other price risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

(i) Currency risk

The Group undertakes certain foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain of the Group's 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 the relevant group entities and expose to such foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets				Liabilities			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2023	2024	2025	2026	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EUR	4,234	12,276	24,663	29,508	926	145	314	2,830
USD	2,370,624	3,205,034	1,033,794	1,066,764	375,819	812,047	343,180	760,214
JPY	373	39	49	391	700	1,146	3,893	2,294

Sensitivity analysis

The Group is mainly exposed to fluctuation in EUR, USD and JPY against RMB.

The following table details the Group's sensitivity to a 5% change in respective foreign currencies against RMB. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the year end date for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (decrease) in post-tax profit where the relevant foreign currencies strengthen 5% against the RMB. For a 5% weakening of the relevant foreign currencies against the RMB, there would be an equal and opposite impact on the post-tax profit.

	Profit for the year ended December 31,			Profit for the six months ended June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EUR	141	516	1,035	1,134
USD	84,779	101,702	29,351	13,028
JPY	(14)	(47)	(163)	(81)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 28), lease liabilities (see Note 29) and short term fixed deposits (see Note 25). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

During the year ended December 31, 2025 and the six months ended June 30, 2026, the Group is also exposed to cash flow interest rate risk in relation to bank borrowings (see Note 28). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the SOFR arising from the Group's bank borrowings. The directors of the Company reviewed the proportion of borrowings in fixed and variable rates and ensure they are within reasonable range.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. In 2025 and 2026, 50 basis points increase or decrease in variable-rate bank borrowings are used represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2025 and six months ended June 30, 2026 would have decrease/increase by RMB2,270,000 and RMB2,200,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) Other price risk

The Group is exposed to other price risk through its investments in unlisted financial products. The directors of the Company consider alternative tools to mitigate other price risk and manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analyses have been determined based on the exposure to the price risk at the reporting date. For the sensitivity analysis of those financial assets at FVTPL, increase (decrease) in the prices of the respective financial assets would result in an increase (decrease) in the post-tax profit for the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026.

If the prices of those financial assets at FVTPL had been 5% higher/lower, the Group's post-tax profit for the year ended December 31, 2024 and 2025 and the six months ended June 30, 2026 would increase/decrease by RMB10,855,000, RMB29,208,000 and RMB65,237,000, respectively.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

Trade receivables

In order to minimize the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 19%, 16%, 11% and 12% of the total trade receivables was due from the Group's largest customer and 58%, 51%, 40% and 38% of the total trade receivables was due from the Group's five largest customers at December 31, 2023, 2024 and 2025 and June 30, 2026, respectively. The directors of the Company and the shareholders have no interest in the customers mentioned above. The largest five customers' principal manufacturing facilities are located in the PRC and Vietnam, and their principal activities are manufacturing of vehicle camera products and other vehicle optical products.

Other receivables and amounts due from related parties

The management of the Group makes periodic individual assessment on the recoverability of other receivables and amounts due from related parties based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9. For the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the Group assessed the ECL for other receivables and amounts due from related parties were insignificant and thus no loss allowance was recognized.

Unlisted financial products at FVTPL

As at December 31, 2023, 2024 and 2025 and June 30, 2026, the Group has concentration of credit risk on its unlisted financial products at FVTPL. The credit risk on unlisted financial products at FVTPL is limited by the underlying assets invested by the unlisted financial products being the PRC government related debt instruments and treasury notes and the counterparties who issued these unlisted financial products are banks with good reputations. The credit risk on unlisted financial products at FVTPL is limited.

Short term fixed deposits, pledged bank deposits and bank balances

The credit risk on bank balance, short term fixed deposits and pledged bank deposits are limited because the counterparties are mainly reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

Receivables at FVTOCI

The Group has concentration of credit risk on receivables at FVTOCI. The credit risk on receivables at FVTOCI is limited as the related acceptors are mainly several banks with high credit ratings.

Financial guarantee contracts

For financial guarantee contracts, the aggregate amount of outstanding financial guarantees issued to banks in respect of bank facilities granted to related parties as set out in note 37(d) that the Group could be required to pay amounted to RMB3,036 million, RMB2,692 million, RMB1,491 million and nil as at December 31, 2023, 2024, 2025 and June 30, 2026, respectively. All of the outstanding financial guarantees have been utilized by the related parties, respectively. The fair value of these financial guarantees, as at dates of initial recognition, were considered insignificant. At the end of each reporting period, the management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognized in the profit or loss as the amount of the loss allowance was not significant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL- not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL- not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL- not credit-impaired	Lifetime ECL- not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL- credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External Credit rating	Internal credit rating	12-month or lifetime ECL	December 31, 2023 Gross carrying amount	December 31, 2024 Gross carrying amount	December 31, 2025 Gross carrying amount	June 30, 2026 Gross carrying amount
					RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables at FVTOCI								
Bill receivables	*24*	N/A	Low risk	12m ECL	162,278	210,265	401,820	157,335
Financial assets at amortized cost								
Trade receivables	*23*	N/A	Low risk	Lifetime ECL (not credit-impaired)	1,324,420	1,593,347	1,957,736	1,955,635
Amounts due from related parties	*37*	N/A	Low risk	12m ECL	2,077,504	2,662,271	108,065	92,022
Other receivables	*23*	N/A	Low risk	12m ECL	23,475	25,637	20,147	21,674
Short term fixed deposits	*25*	BB-AAA	Low risk	12m ECL	10,570	21,054	–	–
Pledged bank deposits	*25*	BB-AAA	Low risk	12m ECL	–	–	70,085	14,021
Bank balances	*25*	BB-AAA	Low risk	12m ECL	315,227	271,010	971,482	807,962

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers which are with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix with lifetime ECL (not credit-impaired).

2023	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
1-90 days	0.01%	1,224,606	172
91-120 days	0.36%	85,342	311
121-180 days	2.46%	12,271	302
More than 180 days	97.09%	2,201	2,137
		1,324,420	2,922

2024	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
1-90 days	0.01%	1,422,446	75
91-120 days	0.25%	118,962	295
121-180 days	1.02%	50,176	513
More than 180 days	45.49%	1,763	802
		1,593,347	1,685

2025	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
1-90 days	0.01%	1,686,176	123
91-120 days	0.09%	133,909	120
121-180 days	1.43%	86,353	1,235
More than 180 days	2.27%	51,298	1,167
		1,957,736	2,645

June 30, 2026	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
1-90 days	0.00%	1,656,265	46
91-120 days	0.10%	107,972	107
121-180 days	1.28%	135,072	1,726
More than 180 days	3.64%	56,326	2,052
		1,955,635	3,931

The estimated loss rates are estimated based on past default experience of the debtors adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of the conditions at each reporting date. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended December 31, 2023, 2024 and 2025 and six months ended June 30, 2026, the Group recognized RMB2,818,000, reversed RMB1,237,000, recognized RMB960,000 and recognized RMB1,286,000 impairment allowance for trade receivables based on the provision matrix, respectively.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)
	RMB'000
As at January 1, 2023	104
Changes due to financial assets recognized at January 1, 2023:	
– Impairment losses reversed	(104)
New financial assets originated	2,922
As at December 31, 2023	2,922
Changes due to financial assets recognized at January 1, 2024:	
– Impairment losses reversed	(2,922)
New financial assets originated	1,685
As at December 31, 2024	1,685
Changes due to financial assets recognized at January 1, 2025:	
– Impairment losses reversed	(1,685)
New financial assets originated	2,645
As at December 31, 2025	2,645
Changes due to financial assets recognized at January 1, 2026:	
– Impairment losses reversed	(2,645)
New financial assets originated	3,931
As at June 30, 2026	3,931

The following table shows reconciliation of loss allowance that has been recognized for amounts due from related parties.

	12m ECL (not credit-impaired)
	RMB'000
As at January 1, 2023	6,679
Changes due to financial assets recognized at January 1, 2023:	
– Impairment losses reversed	(6,679)
As at December 31, 2023, 2024, 2025 and June 30 , 2026	–

As at December 31, 2023, 2024 and 2025 and June 30, 2026, no 12m ECL that has been recognized for other receivables.

Liquidity risk

The Group has net current assets amounting to approximately RMB2,783,344,000, RMB3,389,566,000, RMB1,584,540,000 and RMB2,121,434,000 at December 31, 2023, 2024, 2025 and June 30, 2026, respectively, and has low exposure to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the year end date to their maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the year end date.

Liquidity tables

2023	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted amount	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	1,409,656	–	–	–	1,409,656	1,409,656
Amounts due to related parties	1.25%	83,656	29,732	–	–	113,388	112,039
Bank borrowings – fixed rate	0.92%	18,393	–	–	–	18,393	18,393
Financial guarantee	N/A	748,390	878,360	7,083	1,401,788	3,035,621	–
Lease liabilities	4.30%	3,653	10,959	14,611	29,208	58,431	53,871
Total		2,263,748	919,051	21,694	1,430,996	4,635,489	1,593,959

2024	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted amount	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	1,609,722	–	–	–	1,609,722	1,609,722
Amounts due to related parties	2.10%	181,853	352,205	–	–	534,058	530,633
Financial guarantee	N/A	607,655	625,000	1,459,245	–	2,691,900	–
Lease liabilities	4.30%	3,653	10,959	14,611	14,596	43,819	41,238
Total		2,402,883	988,164	1,473,856	14,596	4,879,499	2,181,593

2025	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted amount	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	2,151,491	–	–	–	2,151,491	2,151,491
Amounts due to related parties	–	517,527	–	–	–	517,527	517,527
Bank borrowings – variable rate	4.75%	6,341	551,649	–	–	557,990	534,190
Financial guarantee	N/A	491,840	998,710	–	–	1,490,550	–
Lease liabilities	4.30%	3,653	10,959	14,596	–	29,208	28,062
Total		3,170,852	1,561,318	14,596	–	4,746,766	3,231,270

June 30, 2026	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted amount	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	2,193,392	49,047	–	–	2,242,439	2,242,439
Amounts due to related parties	–	360,366	–	–	–	360,366	360,366
Bank borrowings – fixed rate	0.84%	7,836	2,858	–	–	10,694	10,675
– variable rate	4.63%	5,992	523,621	–	–	529,613	517,629
Lease liabilities	3.37%	2,915	8,745	5,869	271	17,800	17,372
Total		2,570,501	584,271	5,869	271	3,160,912	3,148,481

c. Fair value measurements of financial instruments

Fair value measurements and valuation processes

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The management reports directly to the board of directors for these fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value as at December 31, 2023	Fair value as at December 31, 2024	Fair value as at December 31, 2025	Fair value as at June 30, 2026	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL	Unlisted financial products: Nil	Unlisted financial products: RMB255,416,000	Unlisted financial products: RMB687,247,000	Unlisted financial products: RMB1,534,998,000	Level 2	Discounted cash flows Key inputs are: (1) Expected yields of debt instruments invested by banks (2) A discount rate that reflects the credit risk of the banks

Financial assets	Fair value as at December 31, 2023	Fair value as at December 31, 2024	Fair value as at December 31, 2025	Fair value as at June 30, 2026	Fair value hierarchy	Valuation technique and key inputs
Receivables at FVTOCI	Bill receivables: RMB162,278,000	Bill receivables: RMB210,265,000	Bill receivables: RMB401,820,000	Bill receivables: RMB157,335,000	Level 2	Discounted cash flows Key inputs are: (1) Present value of the cash flows to be derived from the receivables (2) A discount rate that reflected the credit risk of the corresponding banks

There were no transfers between Level 1 and 2 during the Track Record Period.

34. CAPITAL COMMITMENTS

	As at December 31, 2023	As at December 31, 2024	As at December 31, 2025	As at June 30, 2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	5,148	30,129	108,811	120,512

35. RETIREMENT BENEFIT PLAN

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total costs charged to profit or loss, amounting to RMB71,728,000, RMB80,824,000, RMB94,676,000, RMB45,415,000 (unaudited) and RMB63,498,000 for the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, representing contributions paid to the retirement benefits scheme by the Group.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Dividend payables	Lease liabilities	Amounts due to related parties	Note payables*	Accrued issue cost	Total
	RMB'000 (Note 28)	*RMB'000*	*RMB'000 (Note 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	–	–	52,562	234,000	–	–	286,562
Financing cash flows	18,363	(555,854)	(15,659)	(208,440)	59,674	–	(701,916)
New leases entered	–	–	14,448	–	–	–	14,448
Interests on lease liabilities	–	–	2,520	–	–	–	2,520
Interests on bank borrowings	30	–	–	–	–	–	30
Interests on note payables	–	–	–	–	1,851	–	1,851

	Bank borrowings	Dividend payables	Lease liabilities	Amounts due to related parties	Note payables*	Accrued issue cost	Total
	RMB'000 (Note 28)	*RMB'000*	*RMB'000 (Note 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interests on amounts due to related parties	–	–	–	2,823	–	–	2,823
Dividends recognized as distribution	–	555,854	–	–	–	–	555,854
At December 31, 2023	18,393	–	53,871	28,383	61,525	–	162,172
Financing cash flows	(3,500)	(285,478)	(14,611)	390,764	(35,938)	–	51,237
Derecognition of receivables at FVTOCI	(18,393)	–	–	–	–	–	(18,393)
Interests on lease liabilities	–	–	1,978	–	–	–	1,978
Interests on bank borrowings	3,500	–	–	–	–	–	3,500
Interests on note payables	–	–	–	–	2,108	–	2,108
Interests on amounts due to related parties	–	–	–	9,138	–	–	9,138
Dividends recognized as distribution	–	285,478	–	–	–	–	285,478
At December 31, 2024	–	–	41,238	428,285	27,695	–	497,218
Financing cash flows	529,428	(2,703,686)	(14,611)	(448,592)	39,174	(983)	(2,599,270)
Issue costs incurred	–	–	–	–	–	3,222	3,222
Interests on lease liabilities	–	–	1,435	–	–	–	1,435
Interests on bank borrowings	4,762	–	–	–	4,290	–	9,052
Interests on amounts due to related parties	–	–	–	20,307	–	–	20,307
Dividends recognised as distribution	–	3,069,909	–	–	–	–	3,069,909
At December 31, 2025	534,190	366,223	28,062	–	71,159	2,239	1,001,873
Financing cash flows	(1,336)	(204,444)	(5,830)	–	136,701	(4,337)	(79,246)
Issue costs incurred	–	–	–	–	–	2,556	2,556
New leases entered/lease modified	–	–	(5,184)	–	–	–	(5,184)
Interests on lease liabilities	–	–	324	–	–	–	324
Interests on bank borrowings	12,011	–	–	–	4,409	–	16,420
Foreign exchange translation	(16,561)	(11,069)	–	–	–	–	(27,630)
At June 30, 2026	528,304	150,710	17,372	–	212,269	458	909,113
At December 31, 2024	–	–	41,238	428,285	27,695	–	497,218
Financing cash flows	153,202	(365,000)	(7,306)	83,992	51,937	–	(83,175)
Issue costs incurred	–	–	–	–	–	–	–
Interests on lease liabilities	–	–	787	–	–	–	787
Interests on bank borrowings	1,716	–	–	–	1,893	–	3,609
Interests on amounts due to related parties	–	–	–	10,534	–	–	10,534
Dividends recognised as distribution	–	365,000	–	–	–	–	365,000
At June 30, 2025 (unaudited)	154,918	–	34,719	522,811	81,525	–	793,973

* The amount represented the outstanding balance of the bills issued by the Company's certain subsidiaries to fellow subsidiaries which were discounted to banks, the details are set out as Note 26.

37. RELATED PARTY DISCLOSURES

(a) Sunny Optical Technology Group represents Sunny Optical Technology and its subsidiaries excluding the Group. Names and relationships with remaining related parties during the Track Record Period are as follows:

Names	Principal activities	Relationships
Ningbo Sunny Precision Industry Co., Ltd.* (寧波舜宇精工股份有限公司) ("Sunny Precision")	Manufacture and sale of various precision moulds for cars	Controlled by a close family member of Sunny Optical Technology's controlling shareholder, Mr. Wang Wenjian
餘姚市仙橋恆柏儀器配件廠 ("仙橋恆柏")	Manufacture and sale of optical instruments	Controlled by a close family member of Sunny Optical Technology's controlling shareholder, Mr. Wang Wenjian
寧波舜合科技有限公司("舜合科技")	Manufacture and sale of electronic devices	Controlled by a close family member of Sunny Optical Technology's director, Mr. Sun Yang (resigned on November 26, 2024)
餘姚市百恒電器經營部("百恒")	Sale of electronic devices	Company controlled by a family member of Sunny Optical Technology's senior management, Mr. Zhang Guoxian (resigned on December 31, 2024)
餘姚市博科貿易有限公司 ("博科")	Sale of electronic devices	Company controlled by a close family member of Sunny Optical Technology's senior management, Mr. Zhang Guoxian (resigned on December 31, 2024)
餘姚市康優貝百貨店 ("康優貝")	Sale of merchandise	Company controlled by a close family member of Sunny Optical Technology's senior management, Mr. Zhang Guoxian (resigned on December 31, 2024)
上海鯤遊科技有限公司("鯤遊")	Research and development of micro-optical Products	An associate of Sunny Optical Technology (disposed on January 13,2026)

* English name is for identification purpose

(b) Transactions with related parties:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Sales of goods					
Sunny Optical Technology Group	89,602	151,291	202,960	82,113	103,708
Sunny Precision	5,062	2,966	8,011	9,431	6,360
	94,664	154,257	210,971	91,544	110,068
Purchase of raw materials					
Sunny Optical Technology Group	459,870	472,770	545,228	250,736	313,834
Sunny Precision	2,096	24,631	24,477	9,979	4,124
鯤遊	–	–	5,413	180	N/A
博科	943	1,625	4,538	2,114	N/A
康優貝	–	2,352	2,889	1,172	N/A
百恒	1,170	1,294	1,747	1,389	N/A
舜合科技	–	641	N/A	N/A	N/A
仙橋恆柏	–	196	150	64	75
	464,079	503,509	584,442	265,634	318,033
Purchase of property, plant and equipment					
Sunny Optical Technology Group	21,087	24,185	37,074	21,462	4,822
Sales of property, plant and equipment					
Sunny Optical Technology Group *(note iv)*	–	–	188,668	2	4,318
Purchase of service					
Sunny Optical Technology Group	30,258	33,754	38,083	17,061	10,189
Interest expense on lease liabilities					
Sunny Optical Technology Group *(note i)*	2,492	1,973	1,432	785	323

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expense (including capitalised in property, plant and equipment)					
Sunny Optical Technology Group *(note iii)*	2,823	9,138	20,307	10,534	–
Rental income					
Sunny Optical Technology Group	–	–	2,898	–	3,072

(c) At December 31, 2023, 2024 and 2025 and June 30, 2026, the Group has the following significant balances with related parties:

Current assets:

Amounts due from related parties

	As at December 31,			As at June 30,	Maximum amount outstanding during the year ended As at December 31,			As at June 30,
	2023	2024	2025	2026	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade nature								
Sunny Optical Technology Group *(note ii)*	2,046,645	2,618,453	48,148	39,026	2,046,645	2,649,480	2,618,453	39,026

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Sunny Optical Technology Group	30,101	42,507	58,956	47,369
Sunny Precision	758	1,311	961	5,627
	30,859	43,818	59,917	52,996

Current liabilities:

Amounts due to related parties

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade nature				
Sunny Optical Technology Group *(note iii)*	28,383	428,285	366,223	150,710

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Sunny Optical Technology Group	80,432	86,782	133,124	206,870
Sunny Precision	1,571	11,598	10,643	2,711
鯤遊	–	–	4,887	N/A
博科	403	1,172	1,512	N/A
舜合科技	–	443	N/A	N/A
康優貝	–	2,162	1,060	N/A
仙橋恆柏	–	82	78	75
百恒	1,250	109	–	N/A
	83,656	102,348	151,304	209,656

Lease liabilities:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities				
Sunny Optical Technology Group	53,715	41,122	27,988	17,319

Notes:

(i) The rental expenses paid to related parties was RMB14,565,000 per annum for the year ended December 31, 2023, 2024 and 2025. The rental expenses paid to related parties was RMB5,807,000 for the six months ended June 30, 2026.

(ii) The amounts are of non-trade nature, unsecured and interest free. Among these, Sunny Optical Technology granted awards pursuant to The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme (the "Restricted Share Award Scheme"), and our Group made payments to Sunny Optical Technology to pay for its shares underlying the awards where the awards are granted to employees of our Group. As of December 31, 2023, 2024, 2025 and June 30, 2026, such payments amounted to RMB66,800,000, RMB81,505,000, RMB48,148,000 and RMB39,026,000, respectively, which will be settled upon exercise of the awards by the employees. Except for the above, other amounts are repayable on demand. As of December 31, 2025 and June 30, 2026, the remaining balances solely relate to the aforementioned Restricted Share Award Scheme, which will be settled upon exercise of the awards by employees.

(iii) The Group entered into loan contracts with Summit Investment for withdrawing USD4,000,000 (equivalent to RMB28,331,000), USD58,500,000 (equivalent to RMB420,521,000) and USD97,500,000 (equivalent to RMB695,249,000) during year ended December 31, 2023, 2024 and 2025, respectively. The loans are non-trade, unsecured and bearing interest 5.13%, ranging from 3.86% to 5.13% and ranging from 3.55% to 4.21% during year ended December 31, 2023, 2024 and 2025, respectively. The total borrowing interest for the year ended December 31, 2023, 2024 and 2025 is RMB2,823,000, RMB9,138,000 and RMB20,307,000, respectively, of which the capitalized amount is RMB52,000, RMB5,826,000 and RMB16,490,000, respectively, and the expensed amount is RMB2,771,000, RMB3,312,000 and RMB3,817,000, respectively. The Group has fully settled borrowings due to Summit Investment as of the year ended December 31, 2025. As of December 31, 2025 and June 30, 2026, the remaining balances solely relate to dividend payable to Summit Investment amounting to RMB366,223,000 and RMB150,710,000 as disclosed in Note 13. The remained dividend was fully paid on August 19, 2026. Except for the above, other amounts are of non-trade nature, unsecured, interest free and repayable on demand.

(iv) During the year ended December 31, 2025, in order to better manage the Group's operations, the Group sold machinery and production equipment and fixtures and office equipment to Sunny Optical Technology Group at the consideration of RMB188,668,000, resulting in gain on disposal of property, plant and equipment of RMB1,076,000. During the six months ended June 30, 2026, the Group sold some miscellaneous fixtures to Sunny Optical Technology Group at total consideration of RMB4,318,000.

The following is an aged analysis of related parties balance of trade nature at the end of each reporting period.

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets:				
Within 90 days	27,779	39,167	58,995	48,189
91-180 days	803	2,998	129	3,915
Over 180 days	2,277	1,653	793	892
	30,859	43,818	59,917	52,996
Current liabilities:				
Within 90 days	81,025	96,310	139,767	203,100
91-180 days	1,371	5,904	6,302	2,108
Over 180 days	1,260	134	5,235	4,448
	83,656	102,348	151,304	209,656

The Group allows a credit period of 90 days to related party trade receivables. The average credit period on purchases of goods from related parties is 90 days.

As at the end of each reporting period, no amount due from a related party is past due.

Details of impairment assessment of amount due from a related party are set out in Note 33(b).

(d) Details of guarantees

During the year ended December 31, 2023, 2024 and 2025, Sunny Optical Technology Group provided financial guarantees with several banks as security for Sunny Automotive Optech and Sunny SmartLead to issue bank acceptance bills for a period of 3 years. During the year ended December 31, 2023, 2024 and 2025, the financial guarantees utilized by the Group are set out in Note 28.

During the year ended December 31, 2023, 2024 and 2025, the Group provided financial guarantees with several banks enabling Sunny Optical Technology Group to obtain bank borrowings for a period of 3 years. The aggregate amount of outstanding financial guarantees granted to related parties that the Group could be required to pay amounted to RMB3,036 million, RMB2,692 million and RMB1,491 million as at December 31, 2023, 2024 and 2025, respectively. The financial guarantees were provided at nil consideration. The fair value of these financial guarantee, as at dates of initial recognition, were considered insignificant.

The above financial guarantee contracts have all released by the end of March 2026.

(e) Compensation of key management personnel

The remuneration of key management during the Track Record Period is as follows:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Share award scheme granted by the ultimate holding company	4,839	4,555	4,201	2,235	2,061
Short-term employee benefits	4,205	4,402	4,626	2,019	2,600
Performance related bonuses	3,756	7,937	7,045	3,610	3,095
Retirement benefit contribution	353	358	366	186	302
	13,153	17,252	16,238	8,050	8,058

38. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries

As at the date of this report, the Company has equity interests in the following major subsidiaries:

Name of the subsidiaries	Place and date of incorporation	Issued and fully paid capital/ registered capital	Equity interest attributable to the owners of the Company					Principal activities	Notes
			As at December 31,			As at June 30,	As at the date of this report		
			2023	2024	2025	2026			
Directly held:									
Sunny Automotive Optech	PRC April 10, 2008	RMB263,000,000/ RMB263,000,000 (2024 & 2023: RMB50,000,000/ RMB50,000,000	100%	100%	100%	100%	[100%]	Research and development, manufacture and sale of vehicle camera products and other vehicle optical products	(a)
Sunny SmartLead	PRC November 23, 2015	RMB483,514,500/ RMB483,514,500	77%	77%	100%	100%	[100%]	Research and development, manufacture and sale of vehicle camera products	(a)
Indirectly held:									
Sunny Optics Europe GmbH	Germany August 13, 2019	EUR500,000/ EUR500,000	100%	100%	100%	100%	[100%]	Sale of vehicle camera products and other vehicle optical products	(b)
SAV	Vietnam November 12, 2019	USD3,000,000/ USD3,000,000	100%	100%	100%	100%	[100%]	Manufacture and sale of vehicle camera products	(c)
SAOV	Vietnam October 5, 2023	USD22,500,000/ USD22,500,000	100%	100%	100%	100%	[100%]	Manufacture and sale of vehicle camera products	(d)
SA	Hong Kong November 12, 2025	HKD1/HKD1	N/A	N/A	100%	100%	[100%]	Investment holding	(e)

Notes:

(a) The statutory financial statements of subsidiaries for the year ended December 31, 2023, 2024 and 2025 were prepared in accordance with Chinese Accounting Standards for Business Enterprises and were audited by Yuyao Yongxin Certified Public Accountants Co., Ltd, certified public accountants registered in Yuyao.

(b) No audited financial statements have been prepared for the subsidiary, as there is no statutory audit requirement.

(c) The statutory financial statements of the subsidiary for the year ended December 31, 2023 and 2024 were prepared in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and were audited by KPMG Limited Vietnam, certified public accountants registered in Vietnam. The statutory audit of the subsidiary for the year ended December 31, 2025 was prepared in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and was audited by Deloitte Vietnam Audit Company Limited, certified public accountants registered in Vietnam.

(d) The statutory financial statements of the subsidiary for the year ended December 31, 2023, 2024 and 2025 were prepared in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and were audited by Deloitte Vietnam Audit Company Limited, certified public accountants registered in Vietnam.

(e) No audited financial statements have been prepared for the subsidiary, as the subsidiary was newly established in November 2025.

39. SHARE AWARD SCHEME GRANTED BY SUNNY OPTICAL TECHNOLOGY

Sunny Optical Technology adopted Restricted Share Award Scheme on March 22, 2010 ("Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Restricted Share Award Scheme is to provide the selected participants including directors of Sunny Optical Technology, employees, agents or consultants of Sunny Optical Technology and its subsidiaries (the "Selected Participants"). Restricted Shares granted under the Restricted Share Award Scheme are subject to a vesting scale in tranches of one-third to one-fifth each (as the case may be) on every anniversary date of the grant date starting from the first anniversary date until the third to the fifth anniversary (as the case may be). The vested shares are transferred to Selected Participants at no cost except that the expenses attributable or payable in respect of the transfer of such shares of Sunny Optical Technology shall be borne by the Selected Participants.

During the year ended December 31, 2015, pursuant to the original Restricted Share Award Scheme dated March 22, 2010, the directors of Sunny Optical Technology resolved to change (i) the vesting period under the Restricted Share Award Scheme from three to five years to two to five years; and (ii) the circumstances when Sunny Optical Technology's shares would lapse, with immediate effect. The directors of Sunny Optical Technology considered that the above amendments have had no material impact on the recognition and measurement of those shares granted before May 26, 2015.

On March 16, 2020, the board of directors of Sunny Optical Technology resolved to amend the existing scheme rules and adopted the further amended and restated scheme rules with effect from March 22, 2020 to extend the share award scheme period for ten years. Under the further amended and restated scheme rules, the scheme shall (unless previously terminated by a resolution of the board of directors of Sunny Optical Technology) terminate on the revised expiry date, being March 21, 2030.

The Group recognized the total expense of RMB44,945,000, RMB48,838,000, RMB36,803,000, RMB19,170,000 (unaudited) and RMB14,131,000 for the year ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, in related to restricted share granted by Sunny Optical Technology.

40. SUBSEQUENT EVENT

There were no events occurring after the reporting period that required adjustment to or disclosure in this Historical Financial Information.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries or in respect of any period subsequent to June 30, 2026.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the People's Republic of ("PRC") and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices and has not taken in to account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective [**REDACTED**] are urged to consult their financial advisors regarding the PRC and elsewhere tax consequences of owning and disposing of the H shares.

Taxation in mainland China

Tax on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), or the Individual Income Tax Law, lastly amended by the Standing Committee of the National People's Congress ("SCNPC") on 31 August 2018 and effective on 1 January 2019, and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》) lastly amended by the State Council on 18 December 2018 and effective on 1 January 2019, dividends paid by mainland China companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》) jointly issued by the Ministry of Finance ("MOF"), the State Administration of Taxation ("SAT") and the CSRC on 7 September 2015 and effective on 8 September 2015, where an individual holds the shares of a listed company obtained from the public offering and market transfer, if the holding period is more than one year, the dividends and bonus income shall be temporarily exempted from individual income tax. Where an individual holds shares of a listed company from the public offering and market transfer, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, executed on 21 August 2006, the government may impose tax on dividends paid by a company in mainland China to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a company in mainland China and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the company in mainland China. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家税務總局關於<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第五議定書》), or the Fifth Protocol, issued by the SAT and effective on 6 December 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), or the EIT Law, lastly amended by the SCNPC and effective on 29 December 2018, and the Implementation Rules of the EIT Law of the PRC (《中華人民共和國企業所得税法實施條例》), or the Implementation Rules of the EIT Law, lastly amended by the State Council on 6 December 2024 and effective on 20 January 2025, a non-resident enterprise is subject to a 10% EIT on mainland China-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business the mainland China-sourced income is not actually connected with such establishment or place enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the EIT on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) issued by the SAT and effective on 6 November 2008, a PRC resident enterprise is required to withhold EIT at a unified rate of 10% on dividends paid to non-PRC resident enterprise holders of H shares which are derived out of profit generated since 2008. The Reply on the Collection of EIT on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (《關於非居民企業取得 B 股等股票股息徵收企業所得税問題的批覆》), promulgated by the SAT on 24 July 2009 and effective on the same day, further provides that PRC-resident enterprises listed on mainland China and overseas stock exchanges by issuing stocks must withhold EIT at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that the PRC government has concluded with a relevant country or region, where applicable.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the PRC government may impose tax on dividends paid by a mainland China company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the mainland China company. If a Hong Kong resident directly holds 25% or more of equity interest in a mainland China company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the mainland China company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the tax authorities in mainland China for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the mainland China tax authorities' verification.

Taxation for Share Transfer

Value-added Tax and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業税改徵增值税試點的通知》) (the "Circular 36"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to Value-added Tax ("VAT") and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家税務總局關於個人金融商品買賣等營業税若干免税政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares, if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "Local Additional Tax"), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

Income tax

Individual Investors

Under the Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated by the MOF and the SAT on 30 March 1998 and effective on the same day, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The SAT does not specify whether to continue to exempt individuals from individual income tax on the income from the transfer of shares in listed company in the newly revised EIT Law and Implementation Rules of the EIT Law.

Enterprise Investors

Under the EIT Law and its implementation rules, a non-PRC resident enterprise is subject to EIT at the rate of 10% with respect to mainland China-sourced income, including gains derived from the disposal of shares in a mainland China resident enterprise, if it does not have an establishment or place of business in the mainland China or has an establishment or place of business in the mainland China but the mainland China-sourced income is not actually connected with such establishment or place of business in the mainland China. The aforementioned income tax payable by non-PRC resident enterprises is subject to source withholding, and the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted under the applicable tax treaties or arrangements on the avoidance of double taxation.

Shanghai-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the MOF, the SAT and the CSRC on 31 October 2014 and effective on 17 November 2014, transfer spread income derived by enterprises in mainland China from stock investment listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to EIT according to law. For dividends and bonuses received by individual investors in mainland China from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of individual investors in mainland China to the H-share companies and withhold individual income tax at the rate of 20% on behalf of the H-share companies.

Pursuant to the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港通、深港通以及內地與香港基金互認有關個人所得稅政策的公告》) which promulgated by the MOF, the SAT and the CSRC on 21 August 2023 and implemented on the same day, the transfer spread income derived by individual investors in mainland China from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by enterprise investors in mainland China from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to EIT according to law. Pursuant to which, dividend income obtained by resident enterprises in mainland China from holding H shares for 12 consecutive months shall be exempted from EIT according to law. H-share companies shall not withhold income tax on dividends and bonus income for enterprise investors in mainland China. The tax payable shall be declared and paid by the enterprise itself.

Shenzhen-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the MOF, the SAT and the CSRC on 5 November 2016 and effective on 5 December 2016, transfer spread income derived by enterprise investors in mainland China from stock investment listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to EIT according to law. For dividends and bonuses received by individual investors in mainland China from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of individual investors in mainland China to the H-share companies and the H-share companies shall withhold individual income tax at the rate of 20% on behalf of the investors.

Pursuant to the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on 21 August 2023 and implemented on the same day, the transfer spread income derived by individual investors in mainland China from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by enterprise investors in mainland China from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to EIT according to law. In particular, dividends and bonus income obtained by resident enterprises in mainland China from holding H shares for 12 consecutive months shall be exempted from EIT according to law. H-share companies shall not withhold income tax on dividends and bonus income for enterprise investors in mainland China. The tax payable shall be declared and paid by the enterprise itself.

Stamp duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on 10 June 2021 and came into effect on 1 July 2022, the purchase and disposal of H shares by non-mainland China investors outside of mainland China are not subject to the requirements of the Stamp Duty Law of the PRC.

Estate duty

Pursuant to the laws of mainland China, no estate duty is currently levied in mainland China.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

EIT

According to the EIT Law, enterprises and other income-generating organizations (hereinafter collectively referred to as "enterprises") within the territory of the mainland China are the taxpayers of EIT and shall pay EIT in accordance with the provisions of the EIT Law. The EIT rate is 25%.

Enterprises are classified into resident enterprises and non-resident enterprises. A non-resident enterprise that does not have an establishment or place of business in the mainland China, or has an establishment or place of business in the mainland China but the income has no actual connection to such establishment or place of business, shall pay EIT on its income within the mainland China and withhold at source, where the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Meanwhile, any gains realized on the transfer of shares by such investors are subject to EIT and shall be withheld at source if such gains are regarded as income derived from the transfer of property within the mainland China.

VAT

Pursuant to the Value-added Tax Law of the PRC (《中華人民共和國增值税法》), which was promulgated by the SCNPC on 25 December 2024 and came into effect on 1 January 2026, entities and individuals (including individual businesses) engaged in sale of goods, services, intangible assets and immovables and importation of goods within the territory of the PRC are VAT payers and shall pay VAT in accordance with this Law. Taxpayers that sell goods, provide processing, repair and replacement services, tangible movables leasing services or import goods and do not fall within the scope as the special circumstances, are subject to a tax rate of 13%. In certain specific circumstances, it is 9%, 6%, and 0% respectively.

Pursuant to the Notice on the Adjustment to VAT Rates (《關於調整增值税税率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the SAT on 4 April 2018, and became effective as of 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies for Deepening VAT Reform (《關於深化增值税改革有關政策的公告》) (2019 No. 39 of MOF, SAT and General Administration of Customs), promulgated by the MOF, the SAT and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of mainland China is the Renminbi. The SAFE, authorized by the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》) lately amended by the State Council on 5 August 2008 and effective on the same day, all international payments and transfers are classified into current account items and capital account items. Mainland China does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of enterprises in mainland China may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

Pursuant to relevant laws and regulations of the mainland China, mainland China enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

Pursuant to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and effective on 23 October 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

Pursuant to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on 26 December 2014 and effective on the same day, the relevant provisions on foreign exchange administration of domestic joint stock companies (hereinafter referred to as "domestic companies") listed overseas are as follows:

(i) The SAFE and its branches and the Foreign Exchange Management Department, or the Foreign Exchange Bureau, supervise, manage and inspect the business registration, account opening and use, cross-border income and expenditure, and capital exchange involved in the overseas listing of domestic companies.

(ii) A domestic company shall, within 15 working days after the completion of the overseas listing and issuance, register the overseas listing with the Foreign Exchange Bureau at the place where it is registered with relevant material.

(iii) A domestic company (other than banking financial institutions) shall, by virtue of its registration certificate for overseas listing business, open a "special foreign exchange account for overseas listing of domestic companies" with a domestic bank for its initial offering (or additional offering) and repurchase business to handle the remittance and transfer of funds for the relevant business.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued on 13 February 2015 and effective on 1 June 2015, the SAFE has canceled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on 9 June 2016 and effective on the same day, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

PRC LEGAL SYSTEM

The legal system of mainland China is based on the Constitution of the PRC (《中華人民共和國憲法》), or the "Constitution." And is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region laws and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》), or the "Legislation Law," lastly amended by NPC on March 13, 2023 and effective on March 15, 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provisions of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into autonomous regions shall be submitted for approval before implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to amend or annul any inappropriate laws formulated by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law. The SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law. The State Council has the power to amend or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to amend or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws belongs to the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on June 10, 1981, the SCNPC shall give interpretation and make provisions by means of decrees on issues related to the further clarification or supplement of laws or decrees. The Supreme People's Court shall give interpretations on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which have enacted these regulations shall provide interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) lastly amended by the SCNPC on October 26, 2018 and effective on January 1, 2019, the People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at higher levels shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) lastly amended by SCNPC on October 26, 2018 and effective on January 1, 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》), or the "Civil Procedure Law" lastly amended by the SCNPC on September 1, 2023 and effective on January 1, 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the mainland China must comply with the Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed, or the object of the action is located. However, the choice of the court cannot conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens, legal person or other organizations, the PRC court may apply the same limitations to the citizens, legal person or other organizations of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a lawyer from Mainland China if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the mainland China, the people's court and foreign courts may require each other to act

on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties involved must comply with legally effective civil judgments and rulings. If any party to a civil action refuse to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the mainland China or whose property is not within the mainland China, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the mainland China enforcement procedures if the mainland China has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the mainland China, its sovereignty or security, or for reasons of social and public interests.

THE COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company established in mainland China seeking a listing on Hong Kong Stock Exchange is mainly subject to the following laws and regulations of Mainland China.

The Company Law, was lastly revised on December 29, 2023 and came into effect on July 1, 2024.

The Overseas Listing Trial Measures and its five interpretative guidelines, were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023 and were applicable to the direct and indirect overseas offering and listing of PRC domestic companies' securities.

According to the Overseas Listing Trial Measures and its interpretative guidelines, where a domestic company directly conducts offering and listing overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), or the "Guidelines for Articles of Association," which was lastly amended by the CSRC and came into effect on March 28, 2025.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General

A joint stock limited company means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws and regulations as well as public and commercial ethics, be honest and trustworthy and accept the supervision of the government and the public. A company may invest in other companies. If it is prescribed by any law that a company shall not become a capital contributor that shall bear the joint and several liability for the debts of the enterprises it invests in, such provisions shall prevail.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the Mainland China.

The promoters of subscription of a joint stock company shall convene an inaugural meeting of the company within 30 days after the share capital has been paid up and shall notify all subscribers of the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only with the presence of subscribers holding more than 50% of the voting rights. The convening and voting procedures for the inaugural meeting of a joint stock limited company incorporated by promotion shall be stipulated in the agreement of the promoters. Powers to be exercised at the inaugural meeting include but are not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Share Capital

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights, land use rights, shareholding or claims.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issues of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. A joint stock limited company may issue shares at a par value or at a premium, but it may not issue shares below the par value.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Increase of Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to original shareholders, if any. If no par value stock is adopted, more than one-half of the proceeds from the issuance of shares shall be included in the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the document.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law: (i) to prepare a balance sheet and a property list; (ii) a company makes a resolution at shareholders' meeting to reduce its registered capital; (iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers

or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital; (iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice; (v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Repurchase of Shares

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

(i) Reducing the registered capital;

(ii) merging with other company that holds the shares of the company;

(iii) using the shares for employee stocks plan or equity incentives;

(iv) with respect to shareholders voting against any resolution adopted at the shareholders' meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;

(v) using the shares for the conversion of convertible corporate bonds issued by the listed company;

(vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the shareholders' meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the board meetings attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of our Company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder of a joint stock limited company should affect a transfer of his shares on securities exchange established according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of the company are listed and traded on a securities exchange. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by them shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted transfer period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of a company include: (i) to receive dividends and other forms of interest distribution according to the number of shares held; (ii) to legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the shareholders' meeting and exercise corresponding voting rights; (iii) to supervise business operations of the company, provide suggestions or submit queries; (iv) to transfer, grant or pledge the company's shares held according to the provisions of the laws, administrative regulations and the articles of

association; (v) to read and copy the articles of association, the register of Shareholders, counterfoil of company debentures, General Meeting minutes, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports; (vi) shareholders who hold more than 3% of the company's shares individually or collectively for more than 180 consecutive days may inspect the company's accounting books and accounting vouchers in accordance with laws; (vii) to participate in the distribution of the remaining assets of the company according to the proportion of shares held upon our termination or liquidation; (viii) to require our company to acquire the shares from Shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the company; (ix) other rights conferred by laws, administrative regulations, regulations of the authorities or the articles of association.

The obligations of a shareholder of a company include: (i) to abide by laws, administrative regulations and the articles of association; (ii) to provide share capital according to the shares subscribed for and share participation methods; (iii) not to withdraw shares unless prescribed otherwise in laws and administrative regulations; (iv) not to abuse shareholders' rights to infringe upon the interests of the company or other shareholders; not to abuse the company's status as an independent legal entity or the limited liability of shareholders to damage the interests of the company's creditors; (v) to perform other duties prescribed in laws, administrative regulations, departmental rules and articles of association.

Shareholder's Meetings

Under the Company Law, the shareholders' meeting of a joint stock limited company is made up of all shareholders. The shareholders' meeting is the organ of authority of a company, which exercises the following functions and powers: (i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors; (ii) to examine and approve reports of the board of directors; (iii) to examine and approve reports of the supervisory committee; (iv) to examine and approve a company's profit distribution plans and loss recovery plans; (v) to resolve on the increase or reduction of a company's registered capital; (vi) to resolve on the issuance of corporate bonds; (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company; (viii) to amend the company's articles of association; (ix) other functions and powers specified in provision of the articles of association.

Under the Company Law, annual shareholders' meetings are required to be held once every year. An interim shareholders' meeting is required to be held within two months after the occurrence of any of the following circumstances: (i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association; (ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital; (iii) shareholders individually or jointly holding 10% or more of the company's shares request; (iv) when deemed necessary by the board of directors; (v) the supervisory committee proposes to convene the meeting; (vi) other circumstances as stipulated in the articles of association.

Shareholders' meeting shall be convened by the board of directors, and presided over by the chairperson of the board of directors. In the event that the chairperson is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairperson. In the event that the vice chairperson is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board should convene and preside over shareholders' meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Notice of meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of interim meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the board of directors in writing 10 days before the shareholders' meeting. The board of directors shall notify other shareholders within two days after receiving the proposal and submit the interim proposal to the shareholders' meeting for consideration.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Board

Under the Company Law, a joint stock limited company should have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of offices hall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be notified 10 days before the meeting for every meeting. The board of directors exercises the following functions and powers: (i) to convene shareholder's general meetings and report its work to the shareholder's general meetings; (ii) to implement the resolutions of the shareholder's general meeting; (iii) to decide on a company's business plans and investment plans; (iv) to formulate a company's profit distribution plan and loss recovery plan; (v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds; (vi) to formulate plans for cake, division, dissolution or change of corporate form of a company; (vii) to decide on the internal management structure of a company; (viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration; (ix) to formulate a company's basic management system; (x) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

The board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he/she may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person may not serve as a director of a company if he/she is: (i) a person without capacity or with restricted capacity; (ii) a person who has been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a

two-year period has not elapsed since the expiration of the suspension period; (iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise; (iv) a person who was legal representative of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and (v) being listed as one of "dishonest persons subject to enforcement" by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairperson, who shall be elected by more than half of all the directors. The chairperson shall exercise the following functions and powers (including but not limited to): (i) to preside over shareholders' meetings and convene and preside over board meetings; and (ii) to examine the implementation of resolutions of the board of directors; (iii) to exercise other powers conferred by the board of directors.

Managers and Senior Management

According to the Company Law, a company should have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of directors. The manager attends the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from: (i) embezzling the company's property or misappropriating of the company's capital; (ii) depositing the company's capital into accounts under his/her own name or the name of other individuals; (iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power; (iv) accept and possess commissions paid by a third party for transactions conducted with the company; (v) unauthorized divulgence of confidential business information of the company; or (vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report the matters relating to the conclusion of the contract or transaction to the board of directors or the shareholders' meeting, subject to the approval of the board of directors or the shareholders' meeting according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor or senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances: (i) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the articles of association; or (ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the articles of association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

Under the Company Law, a joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the shareholders' meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the articles of association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the shareholders' meeting.

Profit Distribution

Where a company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders and directors, supervisors, and senior management who are responsible for causing losses to the company shall bear compensation liability.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons: (i) the term of business stipulated in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' meeting resolves to dissolve the company; (iii) dissolution is necessary due to a merger or division of the company; (iv) the business license is revoked, or the company is ordered to close down or is revoked in accordance with laws; (v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with item (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting. Where the company is dissolved pursuant to items (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group to conduct liquidation. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation group shall exercise the following functions and powers during the liquidation period: (i) to liquidate the company's property and respectively prepare balance sheet and list of property; (ii) to notify creditors by notice or public announcement; (iii) to deal with the outstanding business of the company involved in the liquidation; (iv) to pay all outstanding taxes and taxes arising in the course of liquidation; (v) to liquidate claims and debts; (vi) to distribute the remaining property of the company after paying off debts; (vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings. During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation group, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation group shall prepare a liquidation report to be submitted to the shareholders' meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancelation of the company's registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas Listing

According to the Overseas Listing Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the mainland China and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by companies in mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On March 29, 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》), promulgated by the State Council on April 22, 1993 and came into effect on the same day, provide the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), promulgated by the State Council on December 25, 1995 and came into effect on the same day, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law, which was lastly amended by the SCNPC on December 28, 2019 and came into effect on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the mainland China, and comprehensively regulates activities in the securities market of mainland China. The Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the mainland China or listing and trading its securities outside the Mainland China. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the PRC (《中華人民共和國仲裁法》), or the Arbitration Law, last amended by the SCNPC on September 1, 2017 and effective on January 1, 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the Civil Procedure Law. If there is evidence to prove that any of the following circumstances exists: the parties have not stipulated an arbitration clause in the contract or have not reached a written arbitration agreement afterwards; the respondent has not been notified of the appointment of the Court of Arbitration or the arbitration proceedings or failed to present views for other reasons for which the respondent is not responsible; the composition of the arbitral tribunal or the arbitration procedures are not in accordance with the arbitration rules; the matters awarded are outside the scope of the arbitration agreement, or the arbitration committee has no jurisdiction to arbitrate, the people's court may rule not to enforce such award. A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the mainland China shall apply to a foreign

court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on January 24, 2000 and effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on November 26, 2020 and effective on November 27, 2020, awards made by arbitral authorities in mainland China can be applied for enforcement in Hong Kong, and Hong Kong arbitration awards can also be applied for enforcement in the mainland China.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

On 14 July 2006, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Chinese Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the 2006 Arrangement. Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. On 18 January 2019, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Chinese Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the PRC court and Hong Kong court. The 2006 Arrangement was superseded upon the effectiveness of the 2019 Arrangement on 29 January 2024.

This Appendix sets out a summary of main provisions of the Articles of Association of the Company adopted on January 15, 2026, which shall become effective from the date on which the H Shares are [**REDACTED**] *on the Hong Kong Stock Exchange. As the main purpose of this Appendix is to provide potential* [**REDACTED**] *with an overview of the Company's Articles of Association, it may not necessarily contain all information that is important for potential* [**REDACTED**].

SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in a transparent, fair and equal manner, and each share shall rank pari passu with other shares of the same class. Shares of the same class issued at the same time shall be issued with the same conditions and price per share; any individual shall pay the same price per share for the subscription of shares.

The domestic unlisted shares issued by the Company shall be registered and deposited at the domestic securities registration and settlement institution in a centralized manner. H shares issued by the Company may be kept by trustee escrow companies in accordance with laws, securities regulatory rules and requirements of securities registration and depository of the place where the Company's shares are listed, or may also be held by shareholders in their own name.

All the shares issued by the Company are denominated in RMB.

SHARE ADDITIONS, REPURCHASES AND TRANSFERS

Share increase or decrease

The Company may, pursuant to a resolution passed by a general meeting of shareholders, adopt the following methods to increase its capital according to its operation and development needs and in compliance with the provisions of laws and regulations:

(1) share issuance to unspecified parties;

(2) share issuance to specified parties;

(3) distribution of bonus shares to existing shareholders;

(4) conversion of the common reserve fund into additional share capital;

(5) other means as required by laws and administrative regulations and the relevant regulatory authorities such as China Securities Regulatory Commission (CSRC), Hong Kong Stock Exchange or the securities regulatory authorities in the place where the Company's shares are listed.

When a company reduces its registered capital, it will prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of making the decision in a general meeting of shareholders to reduce the registered capital, and make an announcement in newspapers (or the National Enterprise Credit Information Publicity System), and the HKEXnews website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and the Company's official website within 30 days according to the securities regulatory rules in the place where the Company's shares are listed. The creditors have the right to demand the Company to pay off its debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if it has not received the notice.

Share repurchase

The Company shall not acquire the Company's shares except in any of the following circumstances:

(1) reduce the registered capital of the Company;

(2) merger with other companies which hold shares of the Company;

(3) use shares in employee shareholding plans or equity incentives;

(4) the shareholder requests the Company to purchase its shares due to objection to the resolution on the merger or division of the Company made by the shareholders' meeting;

(5) convert shares into corporate bonds issued by the Company that can be converted into share certificates;

(6) necessary for the Company to safeguard the Company's value and shareholders' interests;

(7) other circumstances permitted by laws, regulations and rules of the securities regulatory authorities where the Company's shares are listed.

Where the Company acquires the Company's shares due to the circumstances specified in items (3), (5) and (6) of the above, the acquisition shall be conducted through a public centralized transaction. Where the Company acquires the Company's shares due to the circumstances specified in items (1) and (2) of the above, the acquisition shall be subject to a resolution of the shareholders' meeting. Where the Company acquires the Company's shares due to the circumstances specified in items (3), (5) and (6) of the above, the acquisition shall be resolved by more than two-thirds of the directors who attended the Board meeting according to the provisions of the Articles of Association or as authorized by the shareholders' meeting, provided that it complies with the applicable securities regulatory rules of the place where the Company's shares are listed. For the acquisition of the Company's shares, the Company shall

perform its information disclosure obligation in accordance with the laws, regulations and rules of the regulatory authorities where the Company's shares are listed. For the domestic unlisted shares, after the Company acquires the shares of the Company pursuant to the above provisions, it shall be deregistered within 10 days from the date of acquisition in circumstance specified in (1); the shares shall be transferred or deregistered within 6 months in circumstances specified in (2) and (4): the total number of shares of the Company held by the Company shall not exceed 10% of the total issued shares of the Company under the circumstances specified in (3), (5) and (6) and shall be transferred or deregistered within three years. Where the laws, regulations and the securities regulatory authorities of the place where the Company's shares are listed have other provisions on the relevant matters involved in the repurchase of shares, such provisions shall prevail.

The Company may acquire the shares of the Company by public centralized transaction, or other methods approved by the laws, administrative regulations, the CSRC and the securities regulatory authorities where the Company's shares are listed.

Transfer of shares

The shares issued by the Company prior to the public issuance of shares shall not be transferred within one year from the date of listing of the Company's shares on the stock exchange.

Directors and senior management of the Company shall report to the Company the shares (including preferred shares) of the Company held by them and their changes. During their term of office as determined at the time of their appointment, the shares transferred each year shall not exceed 25% of the total number of shares of the same class they held in the Company. The shares of the Company shall not be transferred within one year from the date of listing. The above mentioned personnel shall not transfer the shares of the Company held by them within half a year after their resignation. Where the laws, regulations, CSRC and/or the listing rules of the place where the Company's shares are listed provide otherwise for restrictions on the transfer of the Company's shares, such provisions shall prevail.

In the event that any shareholder holding 5% or more of the shares of the Company, director or senior management disposes of any shares or other equity securities held by him/her within six months from the date of acquiring, or acquires within six months from the date of disposing, the gains derived therefrom shall belong to the Company and be recovered by the Board of the Company. However, the securities company holds more than 5% of the shares as a result of the purchase of the remaining shares after the underwriting, and other circumstances stipulated by the CSRC shall be excluded. Where the listing rules of the place where the Company's shares are listed contain any other provisions, such provisions shall prevail. Shares or other equity securities held by the directors, senior management and shareholders of natural persons as mentioned in the preceding paragraph shall include the shares or other equity securities held by their spouses, parents, children and through the accounts of others. If the Board of the Company does not comply with the provisions of this Article, the shareholders shall have the right to request the Board to implement the provisions within 30 days. If the

Board of the Company fails to carry out the enforcement within the aforesaid time limit, the shareholders shall have the right to directly initiate litigations in the People's Court for the benefit of the Company in their own name. If the Board of the Company fails to comply with the provisions of this Article, the responsible directors shall be jointly and severally liable in accordance with the law.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The Company shall establish a register of shareholders on the basis of the certificates provided by the securities depository and clearing institution, and the register of shareholders shall be a sufficient evidence that shareholders hold the shares of the company. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

Shareholders of the Company have the following rights:

(1) speak and vote at shareholders' meetings, unless required to abstain from voting on specific matters pursuant to the regulations of the Listing Rules of Hong Kong Stock Exchange;

(2) have dividends and other forms of distribution of benefits based on the number of shares held by them;

(3) lawfully request, convene, preside over, attend or appoint a shareholder's proxy to attend the shareholders' meeting, and exercise the corresponding speaking and voting rights;

(4) supervise the operation of the Company and put forward suggestions or inquiries;

(5) transfer, gift or pledge the shares held by it in accordance with the laws, administrative regulations and the Articles of Association;

(6) inspect and make copies of the Articles of Association, the register of shareholders, minutes of shareholders' meetings, resolutions of the Board and financial and accounting reports, shareholders who meet the requirements may inspect the Company's accounting books and accounting certificates;

(7) at the time of termination or liquidation, the Company shall participate in the distribution of the remaining assets of the Company according to the shares held by it;

(8) a shareholder who disagrees with the resolution on the merger or division of the Company made by the shareholders' meeting shall require the Company to purchase its shares;

(9) inspect the branch register of members in Hong Kong, but the Company may close the register on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

(10) other rights stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or Articles of Association of the Company.

If the resolutions of the shareholders' meeting or the Board of the Company violate the laws or administrative regulations, the shareholders shall have the right to request the People's Court to determine that the resolutions are invalid. If the procedures for convening the meetings of the shareholders' meeting or the Board, or the way of voting violates the provisions of the laws, administrative regulations or the Articles of Association of the Company, or the content of the resolutions violates the provisions of the Articles of Association of the Company, the shareholders shall have the right to request the People's Court to revoke the resolutions within 60 days from the date when the resolutions are made, unless there is only a minor defect in the procedures for convening a shareholders' general meeting or the Board meeting or in the manner of voting thereat, which does not materially affect the resolution.

Shareholders of the Company have the following obligations:

(1) comply with laws, administrative regulations and the Articles of Association;

(2) pay the share capital in accordance with the shares subscribed for and the manner of share purchase;

(3) shall not withdraw the shares except for the circumstances stipulated by laws and regulations;

(4) not abuse the rights of shareholders to damage the interests of the Company or other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

(5) other obligations stipulated by laws, administrative regulations, the Articles of Association and securities regulatory rules of the place where the Company's shares are listed.

General requirements of shareholders' meetings

The shareholders' meeting of the Company is composed of all shareholders. The shareholders' meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with the law:

(1) elect and replace directors, and decide on the remuneration of directors;

(2) consider and approve the report of the Board;

(3) consider and approve the Company's profit distribution plan and loss recovery plan;

(4) make resolutions on the increase or decrease of the registered capital of the Company;

(5) make resolutions on the issuance of corporate bonds by the Company;

(6) make resolutions on the merger, division, dissolution, liquidation of the Company or change of the Company's form;

(7) amend the Articles of Association;

(8) make resolutions on the appointment and dismissal as well as the remuneration of the accounting firm responsible for the auditing of the Company;

(9) consider and approve the guarantee matters stipulated in Article 47 of the Articles of Association;

(10) consider the purchase or sale of material assets by the Company in excess of 30% of the Company's most recent audited total assets within one year;

(11) consider and approve the changes in the use of proceeds;

(12) consider share incentive plans and employee share ownership plans;

(13) consider other matters that shall be decided by the shareholders' meeting as provided in the laws, administrative regulations, departmental rules, the Articles of Association or the securities regulatory rules of the place where the Company's shares are listed.

The following external guarantees of the Company shall be considered and approved by the shareholders' meeting:

(1) any guarantee provided after the total amount of guarantees provided by the Company and its controlled subsidiaries to external parties exceeding 50% of the latest audited net assets of the Company;

(2) any guarantee provided after the total amount of external guarantees provided by the Company exceeding 30% of the latest audited total assets of the Company;

(3) any guarantee provided to others by the Company within one year of a value exceeding 30% of the latest audited total assets of the Company;

(4) any guarantee provided to a party with an asset-liability ratio of over 70%;

(5) any guarantee with a single guarantee amount exceeding 10% of the latest audited net assets;

(6) any guarantee provided to shareholders, de facto controllers and their related parties;

(7) other guarantees that shall be considered by the shareholders' meeting as stipulated by laws, regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Under any of the following circumstances, the Company shall convene an extraordinary general meeting within 2 months from the date of occurrence:

(1) the number of directors is less than the number prescribed in the Company Law or two-thirds of the number prescribed in the Articles of Association;

(2) the unrecovered loss of the Company reaches 1/3 of the total share capital;

(3) at the request of shareholders who individually or collectively hold more than 10% of the shares (including preference shares with voting rights restored, etc.) of the Company;

(4) when the Board deems it necessary;

(5) when the member of the Audit Committee proposes to convene;

(6) other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles of Association of the Company.

Convening of shareholders' meeting

The Board shall convene the shareholders' meeting on time within the specified period.

Subject to the consent of more than half of all the independent directors, the independent directors have the right to propose to the Board to convene an extraordinary general meeting. With regard to the proposal made by the independent directors for convening an extraordinary general meeting, the Board shall, in accordance with the laws, administrative regulations and the Articles of Association, provide a written response indicating whether it agree or disagree to convene the extraordinary general meeting within 10 days upon receipt of the proposal. Where the Board agrees to convene the extraordinary general meeting, a notice of convening the shareholders' meeting shall be issued within 5 days after the resolution of the Board is made. Where the Board does not agree to convene the extraordinary general meeting, it shall provide reasons and make an announcement.

The Audit Committee shall propose to the Board to convene of an extraordinary general meeting in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, provide a written response indicating whether it agree or disagree to convene the extraordinary general meeting within 10 days upon receipt of the proposal. Where the Board agrees to convene the extraordinary general meeting, a notice of convening the shareholders' meeting shall be issued within 5 days after the resolution of the Board is made, and the changes to the original proposal in the notice shall be agreed with the Audit Committee. Where the Board does not agree to convene the extraordinary general meeting, or fails to give feedback within 10 days after receiving the proposal, the Board shall be deemed to be unable to perform or fail to perform its duties of convening the shareholders' meeting, and the Audit Committee may convene and preside over the meeting by itself.

Shareholders who individually or collectively hold more than 10% of the Company's shares (including preference shares with voting rights restored, etc.) have the right to request the Board to convene an extraordinary general meeting in writing. The Board shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide a written response indicating whether it agree or disagree to convene the extraordinary general meeting within 10 days upon receipt of the request. Where the Board agrees to convene the extraordinary general meeting, a notice of convening the shareholders' meeting shall be issued within 5 days after the resolution of the Board is made, and the changes to the original request in the notice shall be agreed with relevant shareholders. Where the Board does not agree to convene the extraordinary general meeting, or fails to give feedback within 10 days after receiving the request, shareholders individually or collectively holding more than 10% of the Company's shares (including preference shares with voting rights restored, etc.) have the right to propose to the Audit Committee to convene an extraordinary general meeting in writing.

Where the Audit Committee agrees to convene an extraordinary general meeting, it shall issue a notice to convene the shareholders' meeting within 5 days of receiving the request, and the changes to the original request in the notice shall be agreed with relevant shareholders. Where the Audit Committee fails to issue a notice of the shareholders' meeting within the prescribed period, the Audit Committee shall be deemed to not convene or preside over the shareholders' meeting, and the shareholders who individually or collectively hold more than 10% of the Company's shares (including preference shares with voting rights restored, etc.) for more than 90 consecutive days may convene and preside over the meeting on their own.

Notice of shareholders' meeting

The convener will notify shareholders by announcement 20 days before the annual shareholders' meeting, and for the extraordinary shareholders' meeting, shareholders will be notified by announcement 15 days before the meeting. When calculating the starting period, the Company shall not include the date of the meeting. Notice of shareholders' meeting shall be given to shareholders in a manner consistent with the laws, administrative regulations, the Listing Rules of the Hong Kong Stock Exchange, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The notice of the shareholders' meeting includes the following:

(1) time, place and duration of the meeting;

(2) matters and proposals submitted to the meeting for consideration;

(3) explain in obvious words: All shareholders have the right to attend the shareholders' meeting and can entrust a proxy in writing to attend the meeting and participate in voting. The shareholder's proxy does not have to be a shareholder of the Company;

(4) equity registration date of shareholders who have the right to attend the shareholders' meeting;

(5) name and telephone number of the permanent contact person for conference affairs;

(6) voting time and voting procedures online or by other means.

All specific contents of all proposals shall be fully and completely disclosed in the shareholder meeting notice and supplementary notice.

Proposals of shareholders' meeting

The content of the proposal should fall within the scope of functions of the shareholders' meeting, have clear topics and specific resolution matters, and comply with the relevant provisions of laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and Articles of Association.

When the Company convenes a shareholders' meeting, the Board, the Audit Committee and shareholders individually or jointly holding more than 1% of the Company's shares have the right to propose proposals to the Company.

Shareholders who individually or collectively hold 1% or more of the Company's shares may make a provisional proposal and submit it in writing to the convener 10 days before the shareholders' meeting. The convener shall issue a supplementary notice of the shareholders' meeting within 2 days of receipt of the proposal, announcing the content of the provisional proposal, and the provisional proposal shall be submitted to the shareholders' meeting for deliberation, unless the provisional proposal is in violation of any law, administrative regulation or the Articles of Association or fails to fall into the scope of functions of the shareholders' meeting.

Save for the circumstances specified in the preceding paragraph, the convener shall not modify the proposals listed in the notice of shareholders' meeting or add new proposals after issuing the notice of shareholders' meeting.

Proposals that are not listed in the notice of shareholders' meeting or do not comply with the provisions of the Articles of Association shall not be voted on and resolutions made by the shareholders' meeting.

Delegations of the shareholders' meeting

Shareholders may attend the shareholders' meeting in person or entrust a proxy to attend and vote on their behalf. Each shareholder has the right to appoint a proxy, but the proxy does not need to be a shareholder of the Company. The proxy may exercise the following rights in accordance with the entrustment of such shareholder:

(1) the shareholder's right to speak at a shareholders' meeting;

(2) individually, or collectively with others, request to vote by poll;

(3) exercise the right to vote by hands or on a poll, unless otherwise prescribed by relevant laws, administrative regulations, the Listing Rules of the Hong Kong Stock Exchange or other securities regulatory rules of the place where the Company's shares are listed.

If an individual shareholder attends the meeting in person, he/she shall produce his/her identity card or other valid documents or certificates that can identify him/herself, if a shareholder authorizes a proxy to attends a meeting on his/her behalf, the proxy shall produce his/her own valid identity card and the power of attorney from the shareholder.

Legal person shareholders shall be represented by their legal representative or a proxy entrusted by the legal representative to attend the meeting. If a legal representative attends the meeting, he or she shall present his or her identity card and a valid certificate proving his or her qualifications as a legal representative; if a proxy is appointed to attend the meeting, the proxy shall present his or her identity card and a written power of attorney issued by the legal representative of the legal person shareholder unit in accordance with the law (except where the shareholder is a recognized clearing house or its proxy (hereinafter referred to as the "Recognized Clearing House") as defined in the relevant regulations of Hong Kong law in force from time to time or the securities regulatory rules of the place where the Company's shares are listed).

If the shareholder is a Recognized Clearing House (or its proxy), the Recognized Clearing House may authorize one or more persons it considers appropriate to act as its representative at any shareholders' meeting or any creditors' meeting; however, if more than one person is authorized, the power of attorney should specify the number and type of shares for each such person authorized by such authorization. A person so authorized may exercise rights on behalf of a Recognized Clearing House (without showing shareholding certificates, subject to notarized authorization and/or further evidence confirming that it is duly authorized) as if such person were an individual shareholder in the Company.

The power of attorney issued by a shareholder to entrust others to attend the shareholders' meeting shall specify the following contents:

(1) the name of the trustor, the class and number of shares held in the Company;

(2) the name of the proxy;

(3) he matters for proxy and the scope of authorization, specific instructions from shareholders, including instructions to vote for, against or abstain from voting on each and every issue included in the agenda of the shareholders meeting;

(4) the date of issuance and validity period of the power of attorney;

(5) signature (or seal) of the trustor. If the trustor is a legal person shareholder, the seal of the legal person entity shall be affixed.

Voting on the Shareholders' meeting

Resolutions of shareholders' meetings are divided into ordinary resolutions and special resolutions.

Ordinary resolutions made on the shareholders' meeting shall be passed by more than half of the voting rights held by shareholders (including shareholders' proxies) present at the shareholders' meeting.

Special resolutions made on a shareholders' meeting shall be passed by more than two-thirds of the voting rights held by shareholders (including shareholders' proxies) present at the shareholders' meeting.

The following matters shall be passed by ordinary resolutions at the shareholders' meeting:

(1) work reports of the Board;

(2) the profit distribution plan and loss recovery plan drawn up by the Board;

(3) the appointment and removal of members of the Board and their remuneration and payment methods;

(4) the appointment, dismissal or non-renewal of the accounting firm and its remuneration;

(5) the annual report of the Company;

(6) other matters that shall be passed by special resolutions except those stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The following matters shall be passed by special resolutions at the shareholders' meeting:

(1) the Company increases or decreases its registered capital;

(2) the division, spin-off, merger, dissolution and liquidation of the Company;

(3) modification of the Articles of Association;

(4) the Company purchases or sells major assets within one year or the amount of guarantee provided to others exceeds 30% of the Company's latest audited total assets;

(5) equity incentive plan;

(6) other matters that are stipulated in laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, as well as those that are determined by the shareholders' meeting to have a significant impact on the Company through ordinary resolutions and need to be passed through special resolutions.

Shareholders (including shareholders' proxies) exercise their voting rights based on the number of voting shares they represent, and each share is entitled to one vote. When voting, shareholders (including shareholders' proxies) with two or more voting rights do not have to vote for, against all voting rights or abstaining from voting. However, the Company's shares held by the Company carry no voting rights, and such shares are not included in the total number of voting shares held by shareholders present.

When the shareholders' meeting considers major matters affecting the interests of small and medium-sized investors, the votes of small and medium-sized investors shall be counted separately. The results of separate vote counting shall be disclosed to the public in a timely manner.

The Company's shares held by the Company carry no voting rights, and such shares are not included in the total number of voting shares held by shareholders present.

According to applicable laws and regulations and the Listing Rules of the Hong Kong Stock Exchange, if any shareholder is required to give up voting rights on a certain resolution, or any shareholder is restricted from voting in support of (or against) a certain resolution, such votes cast by such shareholders or their representatives in violation of relevant regulations or restrictions shall not be counted in the total number of shares with voting rights.

If a shareholder violates the provisions of paragraphs 1 and 2 of Article 63 of the Securities Law by purchasing shares of the Company with voting rights, the shares exceeding the prescribed proportion shall not exercise voting rights within 36 months after purchase and is not included in the total number of shares with voting rights present at the shareholders' meeting.

The Board, independent directors and shareholders holding more than 1% of the voting shares or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC may solicit shareholder voting rights. When soliciting shareholder voting rights, specific voting intentions and other information must be fully disclosed to the persons being solicited. It is prohibited to collect voting rights from shareholders through paid or disguised payment methods. Except for statutory conditions, the Company may not impose minimum shareholding ratio restrictions on the solicitation of voting rights.

DIRECTORS AND THE BOARD

Directors

Directors are elected or changed by the shareholders' meeting and may be removed from office by the shareholders' meeting before the expiration of their term. The term of directors is three years. Upon expiration of the term, directors may be re-elected.

The term of office of a director shall be calculated from the date of assuming office until the expiration of the term of the current Board. If a director's term of office expires and is not re-elected in time, until the re-elected director takes office, the original director shall still perform his or her duties as a director in accordance with the provisions of laws, administrative regulations, departmental rules and the Articles of Association. Directors may resign before the expiration of their terms of office. A director's resignation shall be submitted in writing to the Company. The resignation shall take effect on the date when the Company receives the resignation report. The board of directors shall disclose the relevant situation within two trading days. If the resignation of a director results in the number of directors on the board of the Company being lower than the legally prescribed minimum number, the original director shall continue to perform the duties of a director in accordance with the laws, administrative regulations, departmental rules, the securities regulatory rules of the stock exchange where the Company's shares are listed, and this articles of association until the newly elected director takes office.

A director appointed by the Board to fill a casual vacancy or to increase the number of members of the Board shall hold office for a term commencing from the date of his or her appointment until the first annual general meeting after his or her appointment, and shall be eligible for re-election by then.

The senior management may concurrently serve as a director, provided that the aggregate number of the directors who concurrently serve as the senior management and directors who are employee representatives, shall not exceed one half of all the directors of the Company.

The chairman of the Board

The Board of the Company has one chairman of the Board in place, and two vice chairmen of board in place. The chairman of the Board and vice chairman of the Board are elected by more than half of all of the directors.

The chairman of the Board exercises the following functions and powers:

(1) preside over shareholders' meetings and convene and preside over Board meetings;

(2) supervise and inspect the implementation of Board resolutions;

(3) other functions and powers granted by the Board.

If the chairman of the Board is unable or fails to perform his or her duties, more than half of the directors shall jointly elect a vice chairman of board to perform such duties; if the vice chairman of the Board is unable or fails to perform his or her duties, more than half of the directors shall jointly elect a director to perform such duties.

The Board

The Board consists of 8 directors, consisting of 3 independent directors.

The Board exercises the following functions and powers:

(1) convene shareholders' meetings and report work to the shareholders' meeting;

(2) implement the resolutions of the shareholders' meeting;

(3) determine the Company's business plan and investment plan;

(4) formulate the Company's profit distribution plan and loss recovery plan;

(5) formulate plans for the Company to increase or reduce its registered capital, issue bonds or other securities and for the listing;

(6) formulate plans for the Company's major acquisitions, the Company's acquisition of the Company's shares, or merger, division, dissolution and change of form of the Company;

(7) determine external investments, purchases and sales of assets, pledge of assets, external guarantees, entrusted asset management, connected transactions and external donations of the Company within the scope of the authority granted by shareholders' meeting;

(8) determine the establishment of the Company's internal management structure;

(9) determine the appointment or removal of the general manager of the Company, the secretary to the Board and other senior management and to decide on their remunerations and rewards and penalties; to determine the appointment or removal of the deputy general manager, chief financial officer and other senior management of the Company based on the nomination by the general manager and to decide on matters about their remunerations and rewards and penalties;

(10) formulate the basic management system of the Company;

(11) formulate proposals for amendment to the Articles of Association;

(12) manage information disclosure of the Company;

(13) propose the appointment or removal of the accounting firm for the Company's audit to the shareholders' meeting;

(14) receive the work report and inspect the work of the general manager of the Company;

(15) other functions and powers conferred by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association or the shareholders' meeting.

Any matters that are beyond the scope of authorization of the shareholders' meeting shall be submitted for consideration at the shareholders' meeting.

The Board shall meet at least 4 times a year, once a quarter, at the call of the chairman of the Board. Regular meetings of the Board referred to in this Article shall be notified in writing to all directors fourteen (14) days prior to the meeting.

Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the directors or the Audit Committee may propose to convene an extraordinary meeting of the Board. The chairman of the Board shall convene and preside over the Board meeting within 10 days after receiving the proposal.

The methods of notification for the extraordinary meeting of the Board are: telephone notification and/or written notification (including personal delivery, mail, fax, and email). The notification time limit is: to notify all directors five (5) days prior to the meeting. With the unanimous consent of all directors, the convening of an extraordinary Board meeting may not be subject to the aforementioned notification time limit, but this shall be notified all directors promptly, recorded in the Board minutes and signed by all participating directors. The first meeting after the re-election of the Board may be held on the day of re-election, and the time of the meeting is not restricted by the above-mentioned notification method and notification time.

Board meetings should be attended by more than half of the directors. Resolutions made by the Board should be approved by more than half of all directors. Voting on resolutions of the Board is based on one person, one vote.

Directors who are related to the corporates or individuals involved in the matters resolved at the Board meeting shall promptly report to the Board in writing. The related directors may not exercise voting rights on the resolution, nor may they exercise voting rights on behalf of other directors. The Board meeting may be held if more than half of the unrelated directors are present, and resolutions made at the Board meeting shall be passed by more than half of the unrelated directors. If the number of unrelated directors present at the Board is less than 3, the matter shall be submitted to the shareholders' meeting for consideration.

Board meetings shall be attended by the director in person; if a director is unable to attend for any reason, he or she may authorize another director in writing to attend on his or her behalf. The power of attorney shall state the name of the proxy, matters of proxy, scope of authorization and validity period, and shall be signed or stamped by the trustor. Directors who attend meetings on their behalf shall exercise the rights of directors within the scope of authorization. If a director fails to attend a Board meeting or appoint a representative to attend, he or she shall be deemed to have given up his or her right to vote at the meeting.

Audit Committee of the Board

The Board of the Company has an Audit Committee in place to exercise the functions and powers of the Board of Supervisors as stipulated in the Company Law.

The Audit Committee consists of three members, who are directors who do not hold senior management positions in the Company, including two independent directors, with an accounting professional among the independent directors serving as the convenor.

The Audit Committee is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating the internal and external audits and internal controls. The following matters shall be submitted to the Board for consideration after being approved by a majority of all members of the Audit Committee:

(1) disclose financial information in financial accounting reports and periodic reports, internal control evaluation reports;

(2) appoint or dismiss the accounting firm that undertakes audits of listed companies;

(3) appoint or dismiss the financial controller of listed company;

(4) change accounting policies and accounting estimates or correct material accounting errors made for reasons other than changes in accounting standards;

(5) other matters as stipulated by laws, administrative regulations, CSRC regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The Audit Committee meets at least once a quarter. An extraordinary meeting may be convened upon the proposal of two or more members, or when the convenor deems it necessary. Meetings of the Audit Committee may only be held if more than two-thirds of the members are present.

Other special committees of the Board

The Board of the Company sets up other special committees, such as the Nomination Committee, Remuneration Committee and the Strategy and Development Committee, to perform their duties in accordance with the Articles of Association and the authorization of the Board, and the proposals of the special committees shall be submitted to the Board for consideration and decision. The Board shall be responsible for formulating the working procedures of the special committees. The composition of the special committees shall comply with the laws, administrative regulations, departmental rules, the Listing Rules of Hong Kong Stock Exchange and other securities regulatory rules of the place where the Company's shares are listed or the relevant requirements stipulated by the relevant regulatory authorities.

Senior management

The Company has general manager and deputy general manager, who are appointed or dismissed by the Board.

The Company has financial officer and Board secretary, whose appointment or dismissal proposed by the general manager to the Board.

The Company's general manager, deputy general manager, financial controller, Board secretary and other senior management are elected for a term of three years, and may be re-appointed.

The general manager is responsible to the Board and exercises the following functions and powers:

(1) preside over the Company's production, operation and management work, organize the implementation of Board resolutions, and report work to the Board;

(2) organize and implement the Company's annual business plan and investment plan;

(3) formulate a plan for the establishment of the Company's internal management organization;

(4) formulate the Company's basic management system;

(5) formulate specific regulations of the Company;

(6) propose to the Board to appoint or dismiss the Company's deputy manager, financial director, Board secretary and other senior management;

(7) decide on the appointment or dismissal of management personnel other than those who shall be appointed or dismissed by the Board;

(8) consider and approve general connected transactions other than those connected transactions that are required to be submitted to the Board or the shareholders' meeting for approval in accordance with the Articles of Association;

(9) consider and approve matters other than those required to be submitted to the Board or the shareholders' meeting for approval in accordance with the Articles of Association, such as major transactions, external investments and external guarantees;

(10) decide on the establishment of wholly-owned subsidiaries and/or branches of the Company;

(11) other functions and powers granted by the Articles of Association, securities regulatory rules of the place where the Company's shares are listed or the Board.

The general manager attends Board meetings.

QUALIFICATIONS AND OBLIGATIONS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Persons under any of the following circumstances cannot serve as a director or senior management of the Company:

(1) have no capacity for civil conduct or have limited capacity for civil conduct;

(2) if sentenced to a criminal penalty for corruption, bribery, misappropriation of property, misappropriation of property or undermining the order of the socialist market economy, or is deprived of political rights for a crime, and if the execution period has not expired for more than 5 years and the person is sentenced to probation, and it has not been more than 2 years since the expiration of the probation period;

(3) serving as a director, factory director or manager of a company or enterprise undergoing bankruptcy liquidation, and being personally responsible for the bankruptcy of such company or enterprise, and it has been less than 3 years since the date of completion of the bankruptcy liquidation of such company or enterprise;

(4) serving as the legal representative of a company or enterprise that has had its business license revoked or ordered to close due to illegal activities with bearing personal responsibility, and it has not been more than 3 years since such company or enterprise was revoked of its business license or ordered to close;

(5) listed as a dishonest person subject to execution by the People's Court since a relatively large amount of debt has not been paid off when due;

(6) be taken measures by CSRC to prohibit entry into the securities market with the time limit not expired;

(7) be recognized as unsuitable to be a director, senior management, etc. of a listed company by the securities regulatory rules of the place where the Company's shares are listed with the time limit not expired;

(8) other contents stipulated in laws, administrative regulations, departmental rules or securities regulatory rules of the place where the Company's shares are listed.

In the event that any shareholder holding 5% or more of the shares of the Company, director or senior management disposes of any shares or other equity securities held by him/her within six months from the date of acquiring, or acquires within six months from the date of disposing, the gains derived therefrom shall belong to the Company and be recovered by the Board of the Company. However, the securities company holds more than 5% of the shares as a result of the purchase of the remaining shares after the underwriting, and other circumstances stipulated by the CSRC shall be excluded. Where the listing rules of the place where the Company's shares are listed contain any other provisions, such provisions shall prevail.

FINANCIAL ACCOUNTING SYSTEM

The Company formulates its financial accounting system in accordance with laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and regulations of relevant national departments.

The Company prepares annual financial accounting report within four months from the end of each accounting year and interim financial accounting report within two months from the end of the first six months of each accounting year.

The aforesaid financial accounting reports are prepared and published in accordance with the relevant laws, administrative regulations, departmental rules, the Listing Rules of Hong Kong Stock Exchange and other securities regulatory rules of the places where the Company's shares are listed.

Other than the statutory accounting books, the Company will not maintain separate accounting books. The Company's assets are not stored in accounts opened in any individual's name.

When the Company distributes after-tax profits for the year, it shall withdraw 10% of the profits and include them in the Company's statutory reserve fund. If the cumulative amount of the Company's statutory reserve fund is more than 50% of the Company's registered capital, no further withdrawals may be made.

If the Company's statutory reserve fund is insufficient to make up for losses in previous years, it shall first utilize the current year's profits to make up for the losses before withdrawing the statutory reserve fund in accordance with the provisions of the preceding paragraph.

After the Company withdraws the statutory reserve fund from the after-tax profits, it can also withdraw the discretionary reserve fund from the after-tax profits upon resolution of the shareholders' meeting.

The remaining after-tax profits after the Company has made up for its losses and withdrawn the reserve fund shall be distributed according to the proportion of shares held by shareholders, unless the Articles of Association stipulated that distribution is not based on the proportion of shareholdings.

If the shareholders' meeting violates the Company Law and distributes profits to shareholders, shareholders shall return the profits distributed in violation of the regulations to the Company. If any loss is caused to the Company, the shareholders and the responsible directors and senior management shall be liable for compensation.

The Company's shares held by the Company will not participate in the distribution of profits.

The Company shall appoint one or more collection agents in Hong Kong for H share shareholders. The collection agent shall collect and keep the dividends distributed by the Company in respect of H shares and other amounts payable on behalf of the relevant H-share holders, to make payments to such H-share holders. The collection agent appointed by the Company shall comply with the requirements of laws, regulations and the securities regulatory rules of the place where the Company's shares are listed.

The Company's reserve fund is used to make up for the Company's losses, expand the Company's production and operations, or increase the Company's registered capital.

When the reserve fund is used to make up for the Company's losses, the discretionary reserve fund and the statutory reserve fund should be utilized first; if it still fails to be made up, the capital reserve fund may be used in accordance with regulations.

When the statutory reserve fund is converted to increase the registered capital, the remaining reserve fund will not be less than 25% of the Company's registered capital prior to the conversion.

INTERNAL AUDIT

The Company implements an internal audit system, which specifies the leadership system, duties and responsibilities, staffing, financial guarantee, use of audit results and accountability for internal audit.

The internal audit system of the Company is implemented after approval by the Board.

APPOINTMENT OF ACCOUNTING FIRM

The Company engages an accounting firm that complies with the provisions of the Securities Law to conduct accounting statement audits, net asset verification and other related consulting services. The appointment period is one year and can be renewed.

The Company's appointment and dismissal of an accounting firm shall be decided on the shareholders' meeting, and the Board may not appoint an accounting firm before a decision is made at the shareholders' meeting.

The Company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information to the accounting firm engaged, and shall not refuse, conceal or make false statements.

MERGERS, DIVISION, CAPITAL INCREASES AND CAPITAL REDUCTIONS

Company mergers may take the form of mergers by absorption or mergers by new establishment.

When a company absorbs other companies, it is called a merger by absorption, and the absorbed company is dissolved. The merger of two or more companies to establish a new company is a merger by new establishment, and the merging parties are dissolved.

Where the price to be paid for a merger does not exceed 10% of the Company's net assets, the merger may be effected without a resolution of the shareholders' meeting, unless otherwise provided in the Articles of Association. Where a merger of companies pursuant to the preceding paragraph is not resolved by the shareholders' meeting, it shall be resolved by the Board.

If the Company merges, the merging parties shall sign a merger agreement and prepare a balance sheet and property list. The Company shall notify creditors within 10 days from the date of making the merger resolution, and shall make an announcement within 30 days in newspapers (or the National Enterprise Credit Information Disclosure System) and the Hong Kong Stock Exchange's HKEXnews website (**www.hkexnews.hk**) and the Company's official website according to securities regulatory rules of the place where the Company's shares are listed.

Creditors may require the Company to pay off debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if no notice is received.

If the Company merges, the claims and debts of the merging parties shall be inherited by the continuing company or the newly established company after the merger.

If the Company is divided, its property will be divided accordingly.

If the Company is divided, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days from the date of making the division resolution, and shall make an announcement within 30 days in newspapers (or the National Enterprise Credit Information Disclosure System) and the Hong Kong Stock Exchange's HKEXnews website (**www.hkexnews.hk**) and the Company's official website according to securities regulatory rules of the place where the Company's shares are listed.

The debts incurred before the Company is divided shall be jointly and severally liable by the companies after the division. However, this shall not be the case unless otherwise agreed upon in a written agreement between the Company and its creditors regarding debt settlement before the division.

If the Company needs to reduce its registered capital, it must prepare a balance sheet and property list.

The Company shall notify creditors within 10 days from the date of making the resolution to reduce the registered capital at the shareholders' meeting, and shall make an announcement within 30 days in newspapers (or the National Enterprise Credit Information Disclosure System) and the Hong Kong Stock Exchange's HKEXnews website (**www.hkexnews.hk**) and the Company's official website according to securities regulatory rules of the place where the Company's shares are listed. Creditors have the right to require the Company to pay off debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if no notice is received.

If the Company reduces its registered capital, it shall reduce its capital contribution or shares in proportion to the shares held by its shareholders, unless otherwise provided by law or the Articles of Association.

If the Company still has losses after making up for its losses in accordance with the provisions of paragraph 2 of Article 148 of the Articles of Association, it may reduce its registered capital to make up for the losses. If the registered capital is reduced to make up for losses, the Company shall not distribute to shareholders, nor may it exempt shareholders from their obligation to pay capital contributions or share payments. If the registered capital is reduced in accordance with the provisions of the preceding paragraph, the provisions of paragraph 2 of Article 173 of the Articles of Association shall not apply, but the announcement of reduction shall be made in the Hong Kong Stock Exchange's HKEXnews website (**www.hkexnews.hk**) according to securities regulatory rules of the place where the Company's shares are listed, and in newspapers (or the National Enterprise Credit Information Disclosure System) within 30 days from the date when the shareholders' meeting makes a resolution to reduce the registered capital. After the Company reduces its registered capital in accordance with the provisions of the preceding two paragraphs, it shall not distribute profits until the cumulative amount of the statutory reserve fund and discretionary reserve fund reaches 50% of the Company's registered capital.

If the Company is merged or divided and the registered items are changed, the registration of the change shall be carried out with the Company registration authority in accordance with the law; if the Company is dissolved, the registration of the cancelation of the Company shall be carried out in accordance with the law; if a new company is established, the registration of the establishment of such company shall be carried out in accordance with the law.

If the Company increases or decreases its registered capital, it shall apply for a registration of the change with the Company registration authority in accordance with the law.

DISSOLUTION AND LIQUIDATION

The Company will be dissolved for the following reasons:

(1) the business period stipulated in the Articles of Association expires or other reasons for dissolution stipulated in the Articles of Association occur;

(2) the shareholders' meeting makes a resolution to dissolve;

(3) dissolution is required due to company merger or division;

(4) the business license has been revoked, ordered to close, or revoked in accordance with the law;

(5) if the Company encounters serious difficulties in its operation and management, and its continued existence will cause heavy losses to the interests of shareholders, and cannot be solved through other means, shareholders holding more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

If the Company encounters the above-mentioned reasons for dissolution, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

The liquidation team shall exercise the following functions and powers during the liquidation period:

(1) clean up the Company's properties and prepare a balance sheet and property list respectively;

(2) notify and announce creditors;

(3) handle the Company's uncompleted businesses related to liquidation;

(4) pay the taxes owed and the taxes incurred during the liquidation process;

(5) clear claims and debts;

(6) distribute the Company's remaining property after paying off its debts;

(7) participate in civil litigation activities on behalf of the Company.

The liquidation team shall notify creditors within 10 days from the date of establishment, and shall publish an announcement within 60 days in newspapers (or the National Enterprise Credit Information Publicity System) and the Hong Kong Stock Exchange's HKExnews website (**www.hkexnews.hk**) according to the securities regulatory rules in the place where the Company's shares are listed. Creditors shall declare their claims to the liquidation team within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if the notice is not received.

When a creditor declares claims, he or she shall explain the relevant matters of the claims and provide supporting materials. The liquidation team shall register the claims.

During the period of reporting claims, the liquidation team shall not make settlements with creditors.

After cleaning up the Company's assets and preparing a balance sheet and property list, the liquidation team shall formulate a liquidation plan and submit it to the shareholders' meeting or the People's Court for confirmation.

The Company's property is the remaining property after paying liquidation expenses, employees' wages, social insurance fees and statutory compensation, paying taxes owed, and settling the Company's debts respectively, and the Company distributes the remaining property according to the proportion of shares held by shareholders.

During the liquidation period, the Company continues to exist, but it cannot carry out business activities unrelated to the liquidation. The Company's property will not be distributed to shareholders before it is settled in accordance with the provisions of the preceding paragraph.

After clearing the Company's property and preparing a balance sheet and property list, if the liquidation team finds that the Company's property is insufficient to pay off its debts, it shall apply to the People's Court for liquidation of bankruptcy in accordance with the law.

After the People's Court accepts the bankruptcy application, the liquidation team shall transfer the liquidation matters to the bankruptcy administrator designated by the People's Court.

After the Company's liquidation is completed, the liquidation team shall prepare a liquidation report, submit it to the shareholders' meeting or the People's Court for confirmation, and submit it to the Company registration authority to apply for cancelation of the Company registration.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

(1) after the Company Law or relevant laws, administrative regulations, or securities regulatory rules of the place where the Company's shares are listed are revised, the matters stipulated in the Articles of Association contradict with the provisions of the revised laws, administrative regulations, or securities regulatory rules of the place where the Company's shares are listed;

(2) the Company's situation changes and is inconsistent with the matters recorded in the Articles of Association;

(3) the shareholders' meeting makes a resolution to amend the Articles of Association.

If the amendments to the Articles of Association passed by the resolution of the shareholders' meeting should be reviewed and approved by the competent authority, they must be reported to the competent authority for approval; if such amendments involve Company registration matters, the registration of the amendments shall be handled in accordance with the law.

The Board amends the Articles of Association in accordance with the resolution of the shareholders' meeting to amend the Articles of Association and the approval of the relevant competent authorities.

Amendments to the Articles of Association are the information required to be disclosed in accordance with the provisions of the laws, regulations or the securities regulatory rules of the place where the Company's shares are listed, and shall be announced as required.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of Our Company

Our Company was established as a joint stock company with limited liability in the PRC on November 12, 2025. As of the Latest Practicable Date, the registered capital of our Company was RMB2,000,000,000 divided into 2,000,000,000 Shares with a nominal value of RMB1.00 each.

Our Company has established a principal place of business in 31st Floor, Tower Two Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on February 6, 2026. Ms. Ng Sau Mei (伍秀薇) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V — Summary of Articles of Association" to this document.

2. Changes in the Share Capital of Our Company

Save as disclosed in "History, Reorganization and Corporate Structure — The Reorganization", there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries as of June 30, 2026 are set out in the Accountants' Report in Appendix I to this document. Save for that (i) the registered capital of Sunny Automotive Optech increased from RMB50.0 million to RMB263.0 million on November 5, 2025 and (ii) the registered capital of Sunny SmartLead decreased from RMB883.5 million to RMB483.5 million on December 8, 2025, there has been no alteration in the share capital of the subsidiaries of our Company within two years immediately preceding the date of this document.

4. Restriction of Share Repurchase

For details of the restrictions on the share repurchase by our Company, see "Appendix V — Summary of Articles of Association".

5. Resolutions of Our Shareholders

At the general meeting of our Company held on January 15, 2026, among other things, our Shareholders resolved that:

(a) the [**REDACTED**] of H Shares with a nominal value of RMB1.00 each shall be approved and such H Shares shall be [**REDACTED**] on the Stock Exchange;

(b) the number of H Shares to be [**REDACTED**] shall be no more than [**REDACTED**]% of the total issued share capital of our Company as enlarged by the [**REDACTED**] before the exercise of the [**REDACTED**];

(c) subject to the filing with CSRC is completed, upon completion of the Conversion of Unlisted Shares into H Shares;

(d) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association, which shall become effective on the [**REDACTED**]; and

(e) our Board and/or its authorized person(s) have been authorized to handle all relevant matters relating to, among other things, the [**REDACTED**], the [**REDACTED**] of H Shares and the [**REDACTED**].

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(a) [●]; and

(b) the Hong Kong [**REDACTED**] Agreement.

2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had been licensed the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Class	Licensee	Place of Registration	Registration Number	Expiry of Licensing Period
1.		1	Our Group	PRC	7745888	November 11, 2035

No.	Trademark	Class	Licensee	Place of Registration	Registration Number	Expiry of Licensing Period
2. .		2	Our Group	PRC	7745899	November 11, 2035
3. .		7	Our Group	PRC	7748073	November 11, 2035
4. .		7	Our Group	PRC	25323798	November 11, 2035
5. .		9	Our Group	PRC	1096677	November 11, 2035
6. .		9	Our Group	PRC	10550187	November 11, 2035
7. .		9	Our Group	PRC	25323799	November 11, 2035
8. .		9	Our Group	PRC	7747676	November 11, 2035
9. .		11	Our Group	PRC	7748086	November 11, 2035
10. .		11	Our Group	PRC	10550594	November 11, 2035
11. .		11	Our Group	PRC	25323800	November 11, 2035
12. .		12	Our Group	PRC	7751027	November 11, 2035
13. .		12	Our Group	PRC	25323801	November 11, 2035
14. .		35	Our Group	PRC	7756360	November 11, 2035
15. .		35	Our Group	PRC	25323803	November 11, 2035
16. .		37	Our Group	PRC	7759400	November 11, 2035
17. .		37	Our Group	PRC	25323804	November 11, 2035
18. .		38	Our Group	PRC	7759409	November 11, 2035
19. .		38	Our Group	PRC	25323805	November 11, 2035
20. .		41	Our Group	PRC	7759443	November 11, 2035

No.	Trademark	Class	Licensee	Place of Registration	Registration Number	Expiry of Licensing Period
21. .		41	Our Group	PRC	25323808	November 11, 2035
22. .		42	Our Group	PRC	7748125	November 11, 2035
23. .		42	Our Group	PRC	25323809	November 11, 2035
24. .		9	Our Group	Hong Kong	301465056	November 11, 2035
25. .		9	Our Group	Vietnam	4-2023-35483	November 11, 2035
26. .		9, 42	Our Group	European Union	008671471	November 11, 2035

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Type	Registered Owner	Place of Registration	Patent Number	Date of Registration	Date of Expiry
1. . . .	A Wide-angle Lens	Invention	Sunny Automotive Optech	PRC	201110241178.1	August 22, 2011	August 22, 2031
2. . . .	An Optical Lens with Back Focus Compensation	Invention	Sunny Automotive Optech	PRC	201210512768.8	December 3, 2012	December 3, 2032
3. . . .	A Wide-angle Lens	Invention	Sunny Automotive Optech	PRC	201310528701.8	October 30, 2013	October 30, 2033
4. . . .	An Optical Lens	Invention	Sunny Automotive Optech	PRC	201310528363.8	October 30, 2013	October 30, 2033
5. . . .	A High-resolution Optical Lens	Invention	Sunny Automotive Optech	PRC	201310530219.8	October 30, 2013	October 30, 2033
6. . . .	Wide-angle Lens	Invention	Sunny Automotive Optech	PRC	201410558001.8	October 20, 2014	October 20, 2034
7. . . .	Optical Lens	Invention	Sunny Automotive Optech	PRC	201510679740.7	October 19, 2015	October 19, 2035
8. . . .	Optical Lens	Invention	Sunny Automotive Optech	United States	US 15/520,413	September 18, 2017	September 18, 2037
9. . . .	Optical Lens Assembly for Vehicular optical imaging system	Invention	Sunny Automotive Optech	United States	US 15/384,276	December 19, 2016	December 19, 2036

No.	Patent	Type	Registered Owner	Place of Registration	Patent Number	Date of Registration	Date of Expiry
10. . . .	Optical Lens System Comprising Two Lens Groups of -+ Refractive Powers Having Six Lenses of —+-++, -++-++, —++-+ or —+-+- Refractive Powers	Invention	Sunny Automotive Optech	United States	US 16/349,891	May 14, 2019	May 14, 2039
11. . . .	Optical Lens System Comprising Two Lens Groups of -+ Refractive Powers Having Six Lenses of —+-++, -++-++, —++-+ or —+-+- Refractive Powers	Invention	Sunny Automotive Optech	United States	US 17/580,188	January 20, 2022	January 20, 2042
12. . . .	Optical Lens and Imaging Device	Invention	Sunny Automotive Optech	PRC	202110206200.2	March 1, 2017	March 1, 2037
13. . . .	Optical Lens Assembly and Imaging Device	Invention	Sunny Automotive Optech	United States	US 16/498,247	September 26, 2019	September 26, 2039
14. . . .	Optical Lens	Invention	Sunny Automotive Optech	PRC	201810519842.6	May 28, 2018	May 28, 2038
15. . . .	Optical Lens and Imaging Device	Invention	Sunny Automotive Optech	PRC	201811431084.9	November 28, 2018	November 28, 2038
16. . . .	Optical Lens Assembly and Imaging Device	Invention	Sunny Automotive Optech	United States	US 16/730,241	December 30, 2019	December 30, 2039
17. . . .	LiDAR System and Off-Axis Scanning Device	Invention	Sunny Automotive Optech	PRC	201910520732.6	June 17, 2019	June 17, 2039
18. . . .	Optical Device and Application	Invention	Sunny Automotive Optech	PRC	201910699837.2	July 31, 2019	July 31, 2039
19. . . .	Panoramic Lens and Optical Imaging and Image Processing Method	Invention	Sunny Automotive Optech	PRC	201911140052.8	November 20, 2019	November 20, 2039
20. . . .	Lens Assembly, Camera Module and Imaging System	Invention	Sunny Automotive Optech	PRC	201911086821.0	November 8, 2019	November 8, 2039
21. . . .	Directional Projection Device and Directional Projection Method	Invention	Sunny Automotive Optech	PRC	201910939441.0	September 30, 2019	September 30, 2039
22. . . .	Display System	Invention	Sunny Automotive Optech	PRC	201911105684.0	November 11, 2019	November 11, 2039

No.	Patent	Type	Registered Owner	Place of Registration	Patent Number	Date of Registration	Date of Expiry
23. . . .	Projection Device and Method	Invention	Sunny Automotive Optech	PRC	201911140676.X	November 20, 2019	November 20, 2039
24. . . .	Display Device	Invention	Sunny Automotive Optech	PRC	202010195488.3	March 19, 2020	March 19, 2040
25. . . .	Optical Lens and Electronic Device	Invention	Sunny Automotive Optech	PRC	202010429590.5	May 20, 2020	May 20, 2040
26. . . .	Optical Lens Assembly and Imaging Device	Invention	Sunny Automotive Optech	United States	US 17/323,535	May 18, 2021	May 18, 2041
27. . . .	Optical Lens and Electronic Device	Invention	Sunny Automotive Optech	PRC	202011194544.8	October 30, 2020	October 30, 2040
28. . . .	Optical Lens and Electronic Device	Invention	Sunny Automotive Optech	PRC	202011560293.0	December 25, 2020	December 25, 2040
29. . . .	Optical Lens and Electronic Device	Invention	Sunny Automotive Optech	PRC	202110270238.6	March 12, 2021	March 12, 2041
30. . . .	Optical Lens and Electronic Device	Invention	Sunny Automotive Optech	PRC	202111199927.9	October 14, 2021	October 14, 2041
31. . . .	Optical Lens and Electronic Device	Invention	Sunny Automotive Optech	PRC	202310758732.6	June 25, 2023	June 25, 2043
32. . . .	Optical Lens and Electronic Device	Invention	Sunny Automotive Optech	PRC	202411955692.5	December 27, 2024	December 27, 2044
33. . . .	LiDAR and Device Incorporating LiDAR	Invention	Sunny Automotive Optech	PRC	202511130423.X	August 13, 2025	August 13, 2045
34. . . .	A Diffuser Device, Optical System and Electronic Device	Invention	Sunny Automotive Optech	PRC	202511387956.6	September 26, 2025	September 26, 2045
35. . . .	Camera Module and Assembly Process	Invention	Sunny SmartLead	PRC	201811209465.2	October 17, 2018	October 17, 2038
36. . . .	Camera Module	Invention	Sunny SmartLead	PRC	201910768885.2	August 20, 2019	August 20, 2039
37. . . .	An Automotive Camera Module	Invention	Sunny SmartLead	PRC	201911143113.6	November 20, 2019	November 20, 2039
38. . . .	A Camera Module Structure	Invention	Sunny SmartLead	PRC	202010634529.4	July 2, 2020	July 2, 2040
39. . . .	At Least a Dual-camera Device	Invention	Sunny SmartLead	PRC	202110326094.1	March 26, 2021	March 26, 2041
40. . . .	Camera Module	Invention	Sunny SmartLead	PRC	202111598890.7	December 24, 2021	December 24, 2041
41. . . .	Waterproof Camera Module	Invention	Sunny SmartLead	PRC	202210486441.1	May 6, 2022	May 6, 2042
42. . . .	A Camera Module	Utility Model	Sunny SmartLead	PRC	202223343391.6	December 12, 2022	December 12, 2042

No.	Patent	Type	Registered Owner	Place of Registration	Patent Number	Date of Registration	Date of Expiry
43. . . .	Lens Module Riveting Device, Lens Module Riveting Method and Lens Module	Invention	Sunny SmartLead	PRC	202411614873.1	November 12, 2024	November 12, 2044

(c) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered Owner	Type	Copyright Number
1. . .	Weisen Surround View Lane Departure Warning Software	Sunny SmartLead	Software copyrights	2025SR1248401
2. . .	Weisen Forward Vehicle Detection and Tracking System	Sunny SmartLead	Software copyrights	2025SR1248374
3. . .	Weisen Forward Vehicle Lane Departure Warning System	Sunny SmartLead	Software copyright	2025SR1248341
4. . .	Weisen Surround View Parking Space Detection System	Sunny SmartLead	Software copyright	2025SR1248395
5. . .	Weisen Mobile Object Detection (MOD) System	Sunny SmartLead	Software copyright	2025SR1248380
6. . .	Weisen Static Obstacle Detection (SOD) System	Sunny SmartLead	Software copyright	2025SR1248355
7. . .	Weisen Binocular Dual-Focus Driver Assistance System	Sunny SmartLead	Software copyright	2025SR1248386
8. . .	Weisen Forward Obstacle Detection and Collision Warning System	Sunny SmartLead	Software copyright	2025SR1248366
9. . .	Weisen 2D/3D Guided Parking Assistance System	Sunny SmartLead	Software copyright	2025SR1248330
10. .	W2 Active Safety Warning System	Sunny SmartLead	Software copyright	2025SR1248315
11. .	Sunny Intelligent Active Safety Cloud Platform	Sunny SmartLead	Software copyright	2019SR1106886
12. .	Domain Controller Core Board Module	Sunny SmartLead	Work copyright	2023-J-00212322

(d) Domain names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered Owner	Date of Registration
1. . . .	www.sunny-autotech.com	Our Company	December 9, 2025

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Directors and the chief executive of our Company

Interest in our Company

Save as disclosed below, immediately following the completion of the [**REDACTED**] and conversion of Unlisted Shares into H Shares, so far as our Directors are aware, none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**"), to be notified to our Company and the Stock Exchange once the H Shares are listed.

Name	Nature of interest	Description of Shares	Number of Shares	Approximate percentage of shareholding in the relevant type of Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	Approximate percentage of shareholding in the total Share capital immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. Shao Yang Dong (邵仰東) . . .	Interest in controlled corporation(1)	Unlisted Shares	–	[REDACTED]	[REDACTED]
		H Shares	[70,000,000]	[REDACTED]%	[REDACTED]%

Note:

(1) As of the Latest Practicable Date, Smart Vista was controlled by Mr. Shao Yang Dong, one of our non-executive Directors. Accordingly, Mr. Shao Yang Dong is deemed to be interested in Shares held by Smart Vista under the SFO.

Interest in Sunny Optical Technology

Name of director/chief executive	Capacity/nature of interest	Long position/short position	Number of Shares	Approximate percentage of shareholding[(1)]
Mr. Xie Qiansen	Beneficiary of a trust[(2)]	Long position	379,907,737	35.2%
	Beneficiary of a trust[(3)]	Short position	34,664,671	3.2%
	Beneficial Owner[(4)]	Long position	137,976	0.01%
Mr. Zhang Kouwen	Beneficiary of a trust[(2)]	Long position	379,907,737	35.2%
	Beneficiary of a trust[(3)]	Short position	34,664,671	3.2%
	Beneficial Owner[(4)]	Long position	132,431	0.01%
Mr. Wang Wenjie	Beneficiary of a trust[(2)]	Long position	379,907,737	35.2%
	Beneficiary of a trust[(3)]	Short position	34,664,671	3.2%
	Beneficial Owner[(4)]	Long position	1,779,864	0.2%
Mr. Ni Wenjun	Beneficial Owner[(4)]	Long position	36,944	0.003%
	Interest of spouse[(5)]	Long position	380,141,113	35.2%
	Interest of spouse[(5)]	Short position	34,664,671	3.2%

Notes:

(1) Excluding any treasury shares.

(2) Each of Mr. Xie Qiansen, Mr. Zhang Kouwen and Mr. Wang Wenjie is a beneficiary of the Sunny Group Employee Offshore Trust, entitled to 0.08%, 0.16% and 3.54% of the beneficial interests therein respectively and deemed to be interested in all the shares Sunny Group Employee Offshore Trust holds under the SFO. The Sunny Group Employee Offshore Trust owns the entire issued share capital of Sun Ji Limited ("**Sun Ji**"), and Sun Ji owns 100.00% equity interest in Sun Xu Limited ("**Sun Xu**"), which in turn owns 379,907,737 shares in Sunny Optical Technology. Accordingly, each of Mr. Xie Qiansen, Mr. Zhang Kouwen and Mr. Wang Wenjie is deemed to be interested in the interest in Sunny Optical Technology held by Sun Xu under the SFO.

(3) Sun Xu entered into an equity collar option transaction with UBS AG London Branch ("**UBS**") in respect of which Sun Xu (i) entered into certain call and put options referencing 34,664,671 shares and (ii) has delivered 34,664,671 shares to UBS under a credit support annex with a return obligation to Sun Xu.

(4) Beneficial ownership in shares granted pursuant to Sunny Optical Technology's restricted share award scheme.

(5) Mr. Ni Wenjun's spouse, Ms. Gu Jianying, is entitled to 2.82% of the beneficial interests in Sunny Group Employee Offshore Trust and therefore deemed to be interested in the interest in Sunny Optical Technology held by Sun Xu under the SFO. In addition, Ms. Gu Jianying is interested in 233,376 shares as beneficial owner pursuant to Sunny Optical Technology's restricted share award scheme. Mr. Ni Wenjun is deemed to be interested in the shares held by Ms. Gu Jianying under the SFO.

(b) Substantial Shareholders

For information on the persons who will, immediately following the completion of the [**REDACTED**], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying voting rights in all circumstances at general meetings of our Company, see "Substantial Shareholders".

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any persons (other than our Directors and chief executive) who will, immediately following the completion of the [**REDACTED**], have or be deemed or taken to have interests and/or short position in our Shares or underlying Shares which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any types of the issued voting shares of any member of our Group.

2. Service Contracts

Each of our Directors [has entered] into a service contract with our Company. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors in their capacity as Directors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

Save as disclosed in "Directors and Senior Management" and Note 12 to "Appendix I — Accountant's Report" for the three financial years ended June 30, 2026, none of our Directors received other remunerations of benefits in kind from us.

4. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or any of the parties listed in "— D. Other Information — 4. Qualification and Consents of Experts" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or

(ii) materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business;

(b) save in connection with the Hong Kong [**REDACTED**] Agreement and the International [**REDACTED**] Agreement, none of our Directors or any of the parties listed in "— D. Other Information — 4. Qualification and Consents of Experts" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group; and

(c) none of our Directors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiary.

2. Litigation

Saved as disclosed in this document, to the knowledge of our Directors, no member of our Group has significant litigation or claims pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US$600,000 to act as the sponsors to the Company in connection with the [**REDACTED**].

4. Qualification and Consents of Experts

The qualifications of the experts who have given opinions or advice in this document are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
CITIC Securities (Hong Kong) Limited	A licensed corporation under the SFO to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
Jingtian & Gongcheng	Legal advisor to our Company as to the PRC law
Frost & Sullivan Limited	Independent industry consultant
Ashurst Perkins Coie Tokyo	Legal advisor to our Company as to International Sanctions, U.S. outbound investment laws and U.S. tariffs

Each of the experts has given and has not withdrawn its written consents to the [**REDACTED**] of this document with the inclusion of its reports, letters, opinions or summaries of opinions (as the case may be) and the references to its names and logos included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any of our shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities in any member of our Group.

5. Compliance Advisor

Our Company has appointed Asian Capital Limited as its Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

6. Taxation of Holders of H Shares

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

7. Binding Effect

This document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Promoters

The promoter of our Company is Sunny Zhejiang Optics, the sole shareholder of our Company upon incorporation on November 12, 2025. Within the two years immediately preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this Document.

10. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

11. No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2026 (being the date to which the latest consolidated financial statements of our Group were prepared).

12. Miscellaneous

(a) within the two years immediately preceding the date of this document:

(i) save as disclosed in "History, Reorganization and Corporate Structure", no share or loan capital of our Company or our subsidiary had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or our subsidiary is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as disclosed in [**REDACTED**], no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or our subsidiary; and

(iv) save as disclosed in [**REDACTED**], no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or our subsidiary;

(b) there are no founder, management or deferred shares nor any debentures in our Company or our subsidiary;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(e) all necessary arrangements have been made to enable our H Shares to be admitted into [**REDACTED**] for clearing and settlement;

(f) our Company has no outstanding convertible debt securities or debentures;

(g) there is no arrangement under which future dividends are waived or agreed to be waived, and there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong; and

(h) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Appendix VI — Statutory and General Information — D. Other Information — 4. Qualification and Consents of Experts"; and

(b) a copy of each of the material contracts referred to in "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts".

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.sunny-autotech.com**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I in this document;

(c) the report from Deloitte Touche Tohmatsu in respect of the unaudited [**REDACTED**] financial information, the text of which is set out in Appendix II;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2025 and six months ended June 30, 2026;

(e) the material contracts referred to in "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts";

(f) the service agreements and letters of appointment entered into between our Company and each of our Directors referred to in "Appendix VI — Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 2. Service Contracts";

(g) the legal opinion issued by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of certain general corporate matters and property interests in the PRC of the Group;

(h) the legal memorandums issued by Ashurst Perkins Coie Tokyo, our International Trade Legal Advisor, in respect of certain International Sanctions, U.S. outbound investment law and U.S. tariffs matters of our Group;

(i) the written consents referred to in "Appendix VI — Statutory and General Information — D. Other Information — 4. Qualification and Consents of Experts";

(j) the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, together with their unofficial English translation; and

(k) the industry report issued by Frost & Sullivan.