LONGCHEER

Shanghai Longcheer Technology Co., Ltd.

上海龍旗科技股份有限公司

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

(Stock code: 9611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2025

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Longcheer Technology Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries for the year ended December 31, 2025.

This results announcement, containing the full text of the Company's annual report for the year ended December 31, 2025, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The Board and the audit committee of the Board have reviewed and confirmed this results announcement.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.longcheer.com). The Company's annual report for the year ended December 31, 2025 will be available on the above websites in due course and will be dispatched to the shareholders of the Company if requested.

By order of the Board
Shanghai Longcheer Technology Co., Ltd.
上海龍旗科技股份有限公司
Mr. DU Junhong
Chairman and Executive Director

Hong Kong, March 30, 2026

As of the date of this announcement, the Board comprises: (i) Mr. DU Junhong, Mr. GE Zhengang, Mr. GUAN Yadong and Ms. QIN Yanling as executive Directors; and (ii) Dr. SHEN Jianxin, Mr. YANG Chuan and Dr. NIU Shuangxia as independent non-executive Directors.

Content

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. DU Junhong *(Chairman of the Board)*
Mr. GE Zhengang *(General Manager)*
Mr. GUAN Yadong
Ms. QIN Yanling

Independent Non-executive Directors

Dr. SHEN Jianxin
Mr. YANG Chuan
Dr. NIU Shuangxia

REGISTERED OFFICE IN CHINESE MAINLAND AND HEADQUARTERS

Floor 1, Building 1
401 Caobao Road
Xuhui District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

JOINT COMPANY SECRETARIES

Mr. ZHOU Liangliang
Mr. CHOW Shing Lung *(an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*

AUTHORIZED REPRESENTATIVES

Mr. DU Junhong
Mr. Chow Shing Lung

AUDIT COMMITTEE

Mr. YANG Chuan *(Chairperson)*
Dr. SHEN Jianxin
Dr. NIU Shuangxia

STRATEGY AND ESG COMMITTEE

Mr. DU Junhong *(Chairperson)*
Mr. GE Zhengang
Dr. SHEN Jianxin

NOMINATION COMMITTEE

Dr. SHEN Jianxin *(Chairperson)*
Mr. DU Junhong
Dr. NIU Shuangxia

REMUNERATION AND ASSESSMENT COMMITTEE

Dr. NIU Shuangxia *(Chairperson)*
Mr. YANG Chuan
Dr. SHEN Jianxin

CORPORATE INFORMATION

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISERS TO THE COMPANY

Hong Kong laws

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queens's Road Central
Hong Kong

PRINCIPAL BANKS

China Merchants Bank Co., Ltd. Shanghai Minhang Sub-branch

365 Xinsong Road
Minhang District
Shanghai
PRC

Shanghai Pudong Development Bank Co., Ltd. Huizhou Branch

1/F, Dewei Building
4 Yunshan West Road
Huicheng District
Huizhou City
Guangdong Province
PRC

STOCK CODES

Hong Kong Stock Exchange (H Shares): 9611
Shanghai Stock Exchange (A Shares): 603341

COMPANY'S WEBSITE

www.longcheer.com

CHAIRPERSON'S STATEMENT

Dear Shareholders,

During 2025 under review, the global consumer electronics industry continued to evolve amid technological iteration and market competition, while geopolitical developments combined with supply chain volatility brought numerous challenges to the industrial development. As a leading global provider of smart products and services, Longcheer Technology has consistently adhered to innovation-driven development, seeking opportunities amid change and striving for breakthroughs in the face of challenges. The Company has steadily consolidated its operational fundamentals, proactively explored new growth curves, and continued to create long-term value for its shareholders. On January 22, 2026, the Company successfully landed on the Hong Kong capital market. This milestone not only represents an important landmark in the Company's development journey, but also marks the beginning of a new stage of accelerated expansion in Longcheer Technology's global presence and AI edge innovation.

I. Review of Core Businesses and Key Achievements

Over the past year, guided by the "1+2+X" product strategy, the Company remained committed to its main business operations while actively exploring new opportunities. Its established businesses maintained high-quality growth, while its emerging businesses achieved substantive breakthroughs, thereby laying a solid foundation for the Company's long-term development.

1. **Established businesses demonstrating both resilience and vitality:** despite external challenges such as tariff fluctuations and supply chain disruptions, the Company's smartphone business shipped over 150 million units in 2025, maintaining its leading position in the market. Throughout 2025, the Company actively optimized its customer portfolio, achieving a more balanced customer mix and significantly enhancing its operational quality and risk resilience. Adhering to its principle of "creating value for top-tier customers," the Company further strengthened the profitability of its established businesses by optimizing its product mix and improving supply chain efficiency.

2. **Substantive breakthroughs achieved in emerging businesses:** the Company has officially launched its SiP business. Leveraging efficient collaboration with leading global customers and offering highly integrated and highly reliable System-in-Package (SiP) solutions, the SiP business is expected to become a new growth driver for the Company. In the robotics field, the Company is focusing on the innovative application of embodied industrial robots in smart factories, with related initiatives progressing steadily as planned. The Company also maintains keen insight into other AI smart terminal businesses and has increased its relevant technological reserves through the 2111 Laboratory, thereby consolidating and further reinforcing its leading position in AI edge innovation.

3. **Significant progress in global expansion:** the Company has remained committed to its globalization strategy and actively expanded into international markets including North America, Europe, Japan, and South Korea. Products such as smart eyewear and AI PCs have not only achieved large-scale deliveries to leading global customers, but have also enabled the Company to establish deep strategic partnerships with them. The Company will continue to work together with leading global customers to promote the deep integration and innovation of AI technologies and smart terminals, develop more innovative AI smart hardware products, and create greater value for its shareholders.

CHAIRPERSON'S STATEMENT

II. Summary of Financial Performance

For the year ended December 31, 2025, the Group recorded revenue of RMB42,124.8 million, representing a year-on-year decrease of 9.2%, and profit for the year attributable to shareholders of the Company of RMB585.1 million, representing a year-on-year increase of 16.8%. The steady improvement in financial performance was primarily attributable to the high-quality development of its established businesses, the rapid growth of emerging businesses such as smart eyewear, and continuing breakthroughs by leading global customers.

III. Fulfilment of ESG and Corporate Responsibility

While continuing to drive business growth, the Company has consistently incorporated Environmental, Social, and Governance (ESG) principles into its corporate governance and operational management processes, aligning ESG development objectives with its long-term strategic goals.

In terms of environmental management, all of the Company's manufacturing bases obtained certification under the ISO 50001 Energy Management System, and all operating sites obtained certification under the ISO 14001 Environmental Management System during the Reporting Period. Through smart manufacturing upgrades, automation transformation and the green process research and development, the Company has continued to improve energy efficiency and the level of resource recycling and utilization.

In terms of social responsibility, the Company has fostered a mutually beneficial ecosystem for stakeholders including customers, employees, supply chain partners and society. It safeguards customer interests by continuously enhancing product quality and information security management, while improving employee rights protection and occupational health management systems. At the same time, the Company actively participates in rural revitalization and public welfare initiatives as part of its continuing efforts to expand its social value.

As a result of these initiatives, Longcheer Technology ranked 1st out of 129 companies in the Communication Equipment III industry in the Wind ESG Rating in 2025, receiving an AA rating. Looking ahead, the Company will continue to improve its ESG management system and strive to become a responsible and socially conscious industry benchmark.

CHAIRPERSON'S STATEMENT

IV. Future Outlook and Strategic Planning

Looking ahead, smart terminals remain the core platform for the implementation of AI technologies. Their deep integration is reshaping the industry ecosystem and creating vast opportunities for industrial development.

Facing the opportunities and challenges of the new era, the Company will steadfastly adhere to a long-term strategic approach, closely following the evolution of the AI industry, focusing on overcoming core technological bottlenecks in AI smart hardware, and advancing application innovation. These efforts will strengthen the Company's core competitive advantages, serving as a strategic foundation to stand out in a highly competitive market and achieve sustainable growth.

Currently, the Company is entering a critical stage of strategic advancement and organizational transformation. Only by pursuing breakthroughs with a striver's resolve and building capabilities through continuous self-improvement can we achieve steady and sustainable progress. Guided by the core principles of "innovation-driven, maximum efficiency," and focused on core value customers and key strategic initiatives, the Company will fully deepen strategic execution, accelerate the implementation of its strategies, and strive to achieve higher-quality and more sustainable growth.

On behalf of Longcheer Technology, I would like to express our heartfelt gratitude to all shareholders, customers, and business partners for their continued support and trust in the Group, and to all employees for their hard work and unwavering dedication over the past year.

A new journey, a fresh start. Standing at the new milestone of our listing on the Hong Kong Stock Exchange, we will strive for excellence in strategic upgrades, unite our efforts through organizational advancement, and together compose a new chapter in Longcheer Technology's high-quality development.

With our banner raised and oars set, we embark on this new journey, steadfastly forging ahead toward the future!

Du Junhong
Chairman of the Board
Shanghai, China, March 30, 2026

FINANCIAL SUMMARY

A summary of the operating results and the assets and liabilities of the Group for the last four financial years is set out below.

	For the year ended 31 December			
	2025	2024	2023	2022
	RMB'000 (except percentages)			
Results of Operations:				
Revenue	**42,124,809**	46,382,472	27,185,064	29,343,152
Gross profit	**3,592,314**	2,706,379	2,590,156	2,365,121
Profit for the year	**588,334**	493,350	602,711	561,513
Attributable to:				
Owners of the parent	**585,117**	501,132	605,316	561,301
Non-controlling interests	**3,217**	(7,782)	(2,605)	212
Profitability:				
Gross profit margin	**8.5%**	5.8%	9.5%	8.1%
Earnings per share *(RMB)*				
Basic and diluted	**1.27**	1.10	1.49	1.39

	As at 31 December			
	2025	2024	2023	2022
	RMB'000 (except percentages)			
Total assets	**26,086,335**	26,345,614	19,838,899	14,530,475
Total liabilities	**20,260,017**	20,752,484	16,013,502	11,374,391
Total equity	**5,826,318**	5,593,130	3,825,397	3,156,084
Cash and bank balances	**5,424,341**	6,819,793	5,102,225	4,463,278
Net current assets	**1,818,737**	2,436,289	995,321	651,518

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Company is a technology enterprise engaged in the research and development, design, manufacturing, and comprehensive services of smart products, operating in the smart device ODM industry. Its business spans multiple countries and regions, providing professional comprehensive services for smart devices to leading global consumer electronics brands and top technology companies. Major customers include Xiaomi, Samsung Electronics, Huawei, Lenovo, Honor, OPPO, and vivo. With over 20 years of industry experience, the Company has developed strong capabilities in product-level solution design, innovative hardware development, system-level software platform development, lean production, supply chain integration, and quality control. Its product portfolio comprises smartphones, AI PCs, automotive electronics, tablets, smart eyewear, smart watches/bands, TWS earphones, and other smart terminal products.

The Company has established R&D centers in multiple locations, including Shanghai, Shenzhen, Huizhou, Nanchang, Hefei, Xi'an, and Suzhou. Its R&D and technical team currently exceeds 5,000 members, with development experience on platforms such as Qualcomm, MediaTek, and UNISOC, as well as expertise in operating systems including Android, RTOS, and Wear OS. The Company operates smart product manufacturing centers in Huizhou and Nanchang, and has set up overseas manufacturing centers in Vietnam and India, building a global delivery capability to meet customer requirements. Leveraging its product customization and delivery capabilities of the full value chain, the Company provides customers with comprehensive product R&D and manufacturing services tailored to their product requirements and market trends. These services cover product definition, full solution design, design simulation, appearance and structural design, circuit system design, key material optimization and selection, module customization, development and design, system-level software platform development, product testing and certification, supply chain management and integration, production operations, and product delivery. Through these capabilities, the Company collaborates with customers to develop smart products with strong market competitiveness.

Industry Overview in 2025

The leapfrog development of AI technology is serving as a disruptive core driver in fundamentally reshaping the global terminal industry. It has become a decisive force behind hardware iteration, market growth acceleration, and the restructuring of the industry ecosystem. Supported by ongoing advancements in edge computing power and multimodal perception and interaction capabilities, and complemented by a rapidly expanding product portfolio, including AI smartphones, AI PCs, smart wearables, and humanoid robots, AI smart terminals will achieve broad-based adoption across both consumer and industrial scenarios. The trend towards large-scale commercialization and ecosystem enrichment is evident, with promising long-term growth prospects. It is worth noting that the current tight supply-demand balance in the global memory chip market, coupled with increasing capacity and performance requirements driven by AI smart terminals, may impose near-term constraints on industry capacity release and cost management.

Smartphone Business

According to data from the market research firm IDC, global smartphone shipments reached 1.26 billion units in 2025, representing a year-on-year increase of 1.9%. Despite tariff fluctuations, supply chain disruptions, and macroeconomic pressures in multiple countries, the global smartphone market showed strong resilience in 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Amid the worsening global memory chip shortage, IDC projects that worldwide smartphone shipments in 2026 will decline by 12.9% year-on-year, falling to 1.12 billion units. In this context, the scale of manufacturers and their supply chain management capabilities will become increasingly critical, with leading players better positioned to secure stable supply and maintain relatively controllable costs.

Tablet Business

According to data from market research firm Omdia, global tablet shipments reached 162 million units in 2025, representing a year-on-year increase of 9.8%, continuing the recovery trend. Omdia notes that, due to potential further disruptions in the memory market, tablet demand is expected to face mounting pressure in 2026.

AIoT business

Smart watches/bands: Data from market research firm Omdia show that global wearable device shipments exceeded 200 million units in 2025, representing a year-on-year increase of 6%. Xiaomi, Apple, and Huawei ranked as the top three players with market shares of 18%, 17%, and 16%, respectively. The wearables market is shifting from hardware-driven competition to ecosystem-driven competition. With advancements in edge AI and growing demand for more specialized fitness and health management features, Omdia expects the global wearables market to achieve moderate growth in 2026.

Smart eyewear: Data from market research firm Omdia show that global AI eyewear shipments reached 8.7 million units in 2025, representing a significant year-on-year increase of 322%, with Meta holding a dominant position with an 85.2% market share. As major device manufacturers and technology giants enter the market, and Meta ramps up production and expands into new regional markets, Omdia forecasts that global AI eyewear shipments will exceed 15 million units in 2026, with ecosystem integration capabilities becoming a key differentiating factor.

Emerging Businesses

(1) PCs: Data from market research firm Omdia show that global PC shipments reached 278.7 million units in 2025, representing a year-on-year increase of 9.1%. Tightening memory supply has also impacted the PC market. Omdia reports that from Q1 to Q4 2025, costs for mainstream PC memory and storage increased by 40% to 70%. With supply expected to remain tight in 2026, the industry is raising the proportion of high-end products to protect profit margins.

(2) Automotive electronics: Data from the China Association of Automobile Manufacturers show that in 2025, domestic production and sales of new energy vehicles each exceeded 16 million units, accounting for more than 50% of the market. Specifically, production reached 16.626 million units and sales totaled 16.49 million units, representing year-on-year increases of 29% and 28.2%, respectively.

With the rapid development of electrification and intelligent technologies, the trajectory of the automotive industry is being reshaped as traditional components increasingly integrate with emerging innovative technologies. Leading consumer electronics ODM companies are leveraging their efficient, platform-based implementation capabilities to enter the automotive electronics sector, forming deep collaborations with original equipment manufacturers (OEMs) and supporting rapid product iteration, cost reduction and efficiency improvement, and shipment quality control within the automotive electronics industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Performance

In 2025, the global consumer electronics industry continued to evolve amid rapid technological iteration and intensifying market competition, while geopolitical developments combined with supply chain volatility brought numerous challenges to the industry. As a leading global provider of smart products and services, the Company has remained firmly committed to an innovation-driven strategy, navigating a complex market environment while actively creating value for shareholders. On January 22, 2026, the Company successfully completed the listing of H Shares on the Hong Kong Stock Exchange, marking the beginning of a new stage of accelerated expansion in its global presence and AI edge innovation.

The Company's emerging businesses are expanding steadily and in an orderly manner. AI PCs have achieved full-platform product design and large-scale mass production, securing orders from multiple mainstream customers, including leading global customers. The smart eyewear has reached large-scale mass production across multiple scenarios and product types. The SIP business has officially launched, demonstrating that the Company's one-stop service capabilities – including design, packaging, manufacturing, and delivery – are gradually being established and continuously enhanced. Innovative applications of robotics in smart factories are progressing steadily, and the Company is strengthening its frontier technology reserves through the 2111 Laboratory, continuously reinforcing its leading position in AI edge innovation. Looking ahead, the Company will work together with customers to promote the deep integration and innovation between AI technologies and smart terminals, creating greater value for its shareholders.

During the Reporting Period, the Company received multiple honors and recognitions, earning acknowledgment from leading global customers, including Xiaomi, Lenovo, Honor, and OPPO. The Company was awarded the Xiaomi Best Partner Award (2025), Xiaomi Excellent Quality Award (2025), OPPO Project Quality Award (2025), and Lenovo Quality Leadership Award (2025), among other accolades from its brand customers. In addition, the Company was recognized as one of Shanghai's Top 100 Enterprises in 2025 (ranked 46th), one of Shanghai's Top 100 Private Enterprises in 2025 (ranked 16th), one of Shanghai's Top 100 Manufacturing Enterprises in 2025 (ranked 17th), one of Shanghai's Top 100 Private Manufacturing Enterprises in 2025 (ranked 5th), one of Shanghai's Top 100 Emerging Industry Enterprises in 2025 (ranked 13th), one of China's Top 500 Manufacturing Enterprises in 2025 (ranked 270th), and one of the Top 100 Electronics Information Competitiveness Enterprises in 2025 (ranked 33rd).

During the Reporting Period, the Company recorded revenue of RMB42,124.8 million, representing a year-on-year decrease of 9.2%. Net profit attributable to shareholders of the listed company amounted to RMB585.1 million, representing a year-on-year increase of 16.8%. Net profit attributable to shareholders of the listed company, excluding non-recurring gains and losses (a non-IFRS measure), was RMB323.0 million, representing a year-on-year decrease of 15.9%.

Smartphone Business

During the Reporting Period, the Company's smartphone business generated revenue of RMB28,934.7 million, representing a year-on-year decrease of 19.9%. Affected by rising costs of memory chips and other raw materials, the Company's smartphone shipments declined in 2025, with total shipments for the year reaching 152.0 million units, while the customer mix and project quality continued to improve, significantly enhancing its risk resilience. In terms of product portfolio, while sales of entry-level models remained stable, the Company accelerated its upgrade to mid-to-high-end product lines. The shipments of 5G smartphones continued to increase, effectively meeting growth demand in global markets, particularly in emerging markets. During the Reporting Period, the Company successfully expanded new projects with overseas customers, laying a solid foundation for oversea market growth in 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

Tablet Business

During the Reporting Period, the Company's tablet business generated revenue of RMB4,152.6 million, representing a year-on-year increase of 12.3%. Tablet shipments exceeded 11 million units in 2025, primarily driven by domestic consumer subsidy policies and replacement demand, as well as bulk procurement for educational and industry projects across multiple regions both domestically and internationally. The Company continued to enhance its tablet product tiers, maintaining a leading position in flagship series for key customers. At the same time, the Company has strengthened its technological capabilities in flagship platform R&D, ultra-thin metal chassis, and high-end color, material, and finish (CMF) design, while comprehensively enhancing its AI application capabilities and integrated hardware-software solutions.

AIoT Business

During the Reporting Period, the Company's AIoT and other products business generated revenue of RMB7,868.9 million, representing a year-on-year increase of 41.2%. The Company's wearables business adhered to a high-end product strategy, continuously enhancing user experience and deepening collaboration with leading brand customers. On the product side, the Company completed iterations of flagship models across core categories, including smart watches, smart bands, and children's wearables, and achieved key product breakthroughs in the medical and health wearables segment, further enriching its product portfolio. On the technology front, the Company has developed core capabilities in areas such as sports and health, user interaction, and low-power long battery life, continuously strengthening its industry-leading position.

During the Reporting Period, leveraging opportunities in the AI industry, the Company's smart eyewear business achieved leapfrog growth. In terms of customer and business expansion, the Company continued to deepen collaboration with leading customers, achieving a breakthrough in its full-device business from inception. The Company successfully expanded its children's smart eyewear business in overseas markets, and mass production and shipments of sports-oriented eyewear and smart eyewear charging cases developed in collaboration with leading global customers were also achieved, demonstrating significant results for the Company's smart eyewear business across multiple scenarios and product categories.

On the ecosystem and R&D front, the Company has partnered with leading domestic XR enterprises to jointly build the Google Android XR platform, leveraging the collaborative advantages of computing power modules to strengthen its core competitiveness. In the field of AI eyewear technology, the Company focuses on key areas including ergonomics, battery life, lightweight design, miniaturization of imaging hardware, and AI applications, while closely tracking technological trends in AR eyewear, strengthening its capabilities in AR product R&D and commercialization, and advancing pre-research for the N+1 generation of products to build a technology moat across the full value chain.

MANAGEMENT DISCUSSION AND ANALYSIS

Emerging Businesses

AI PCs: During the Reporting Period, the Company achieved full coverage of X86 architectures (Intel and AMD platforms) and the ARM architecture (Qualcomm platform), completing full-platform product design and mass production deployment. In terms of product portfolio, pre-research and development efforts cover the full spectrum of PC form factors, including slim high-performance AI PCs, 360-degree convertible PCs, Mini PCs, and handheld PCs. Regarding customer development, leveraging its strengths in slim and lightweight AI PC design, the Company successfully secured mass production orders from multiple leading customers and was admitted into the supply chain systems of top global customers, while continuing to deepen its strategic collaborations to lay a solid foundation for further business growth.

Automotive Electronics: During the Reporting Period, the Company's automotive electronics business reached shipment volumes in the million-unit range, demonstrating significant development potential. The Company's in-vehicle wireless charging business capitalized on market opportunities, successfully overcoming high-power heat dissipation challenges and gaining entry into the supply chains of global mainstream automakers. The in-vehicle smart control tablet business leveraged the Company's technological and supply chain strengths in the consumer electronics sector to secure strategic model placements with multiple mainstream automakers and successfully delivered key projects on schedule.

Active Fulfillment of Social Responsibility

While continuing to drive business growth, the Company has consistently embedded Environmental, Social, and Governance (ESG) principles throughout its corporate governance and operational management processes, aligning ESG development objectives with its long-term strategic goals.

In terms of environmental management, during the Reporting Period, all of the Company's manufacturing bases obtained certification under the ISO 50001 Energy Management System, and all operating sites obtained certification under the ISO 14001 Environmental Management System. Through upgrades in intelligent manufacturing, automation enhancements and the development of green production processes, the Company has continuously improved energy efficiency and the level of resource recycling and utilization.

In terms of social responsibility, the Company has fostered a mutually beneficial ecosystem for stakeholders including customers, employees, supply chain and the wider community. It safeguards customer interests by continuously enhancing product quality and information security management, while strengthening employee rights protection and occupational health management systems. At the same time, the Company actively participates in rural revitalization and public welfare initiatives, continuously expanding its corporate social value.

As a result of these initiatives, Longcheer Technology ranked 1st out of 129 companies in the Communication Equipment III industry in the 2025 Wind ESG Rating, receiving an AA rating. Looking ahead, the Company will continue to enhance its ESG management system and strive to become a responsible and socially conscious industry benchmark.

MANAGEMENT DISCUSSION AND ANALYSIS

Core Competitiveness

Leveraging Leading Global Customers to Consolidate and Strengthen the Development Foundation

The Company has established close collaborations with numerous well-known smart device brands, including leading global technology companies, and has developed deep, multi-category partnerships with several of them. Through these relationships with leading customers, the Company is able to promptly capture market demands and industry trends, effectively guiding market development and providing strong support for technological innovation and product upgrades, thereby helping maintain its leading position in the global market. At the same time, the Company provides customized hardware and software design solutions tailored to the specific requirements of each customer, supporting their expansion into respective niche markets. By collaborating and advancing together with brand customers, the Company has cultivated a mutually reinforcing and growth-oriented ecosystem.

Core Technologies Driving Comprehensive Development and Stimulating Innovation

Building on its five major R&D centers in Shanghai, Shenzhen, Huizhou, Hefei, and Nanchang, the Company has newly established additional R&D centers in Xi'an and Suzhou. It currently has an R&D team of over 5,000 members, capable of providing comprehensive product R&D and manufacturing services, including product definition, full solution design, product design simulation, appearance and structural design, circuit system design, key material optimization and selection, module customization, development and design, system-level software platform development, product testing and certification, supply chain management and integration, production operations, and product delivery. The Company has extensive experience in developing multi-scenario, multi-category smart terminal products R&D, covering such products as smartphones, AI PCs, automotive electronics, tablets, smart eyewear, smart watches/bands, and TWS earphones, with full-scenario smart hardware ecosystem technology and product solution capabilities. By deeply cultivating foundational core technologies in wireless communication, audio, display, optics, algorithms, cameras, materials, and simulation, the Company has built comprehensive product technology platforms spanning user scenarios such as smart office, sports and health, smart home, intelligent mobility, and extended reality. This enhances complex system integration and cross-category technological convergence, enabling the Company to provide customers with full-scenario smart terminal solutions, generate additional business opportunities, and expand market potential. Meanwhile, the Company actively aligns with global AI technology trends, advancing AI research and applications in R&D and digitalized operations to improve development efficiency, empower end products, and elevate the user experience.

Flexible and Efficient Global Delivery System Expanding Market Boundaries

To meet the needs of global customers and establish a diversified supply chain management system, the Company has taken a forward-looking approach, continuously advancing and innovating its domestic and overseas manufacturing capabilities. Domestically, the Company operates smart product manufacturing centers in Huizhou and Nanchang, while overseas manufacturing centers have been established in Vietnam and India.

In the field of intelligent manufacturing, the Company has leveraged years of experience in automation, complemented by digital production systems, to build an intelligent manufacturing platform. By integrating emerging technologies such as AI, the Company has achieved breakthroughs and implemented intelligent manufacturing solutions across multiple areas, including product assembly and intelligent inspection, driving its manufacturing centers toward digitalized management, intelligent manufacturing, automated testing, and flexible capacity. Currently, dozens of process steps, including PCBA visual inspection, complete-device assembly, and final product testing, have been largely fully automated, demonstrating the significant scale advantages of its production and manufacturing operations.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, by establishing a global supply chain network and collaborating closely with suppliers and partners worldwide, the Company is better positioned to respond to market fluctuations and evolving customer demands, deliver highly competitive products and services, expand its international market presence, and achieve sustainable growth.

Excellent Organizational Management Capabilities, Enhancing Efficiency with AI-Driven Operations

The Company adheres to a customer-centric approach and has further strengthened its business process management framework. Leveraging value streams, it has established a unified architecture, standardized processes, and common standards across multiple businesses and product categories to improve internal operational efficiency and enhance customer satisfaction. On the digitalization front, the Company has implemented and continuously upgraded systems such as product lifetime management, warehouse management system, quality management system, supplier relationship management, and financial performance management, optimizing the full product lifecycle – from design and R&D to production, procurement, supply delivery, and services – thereby improving operational efficiency and ensuring precise, large-scale delivery of customer projects. Furthermore, the Company actively embraces AI large language models and deploys a knowledge platform to enhance intelligence in R&D, production, and management operations, strengthening its core competitiveness. Supported by a robust IT infrastructure, the Company can more flexibly adapt to changing market demands, continuously launch innovative products, and elevate customer satisfaction.

Building Competitive Ecosystem to Harness Collective Strength

The upstream component supply chain is a vital part of the smart device industry chain. The Company provides early business opportunities to domestic component suppliers, supporting local enterprises in upgrading technologies, enhancing product quality stability, and strengthening delivery capabilities, thereby acting as a platform for testing and promoting domestically sourced components. The component enterprises have coalesced into a highly competitive ecosystem centered on the Company. Over years of close collaboration, this ecosystem has demonstrated not only exceptional synergy but also robust competitiveness in technology innovation, quality control, and market responsiveness. By maintaining strong partnerships across the supply chain, the Company can swiftly respond to market changes, launch more innovative and competitive products, and deliver superior services to its customers.

Future Development

Company Development Startegy

The Company has consistently adhered to a long-term development philosophy, guided by four key principles:

1. Prioritize serving customers, with an emphasis on leading customers, and engage in comprehensive collaboration with strategic partners to deliver high-quality, multi-category, and multi-level services to top-tier customers.

2. Commit to the research and development of new technologies, products, and manufacturing capabilities, deepening and strengthening core business areas, and building a competitive moat in advanced processes, technologies, and industry chain advantages.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Steadily and systematically grow emerging businesses, focusing on core customers and strategic partners, leveraging technological strengths, tracking technology trends, and progressively developing new customers, product categories, regions, and industries.

4. Continuously strengthen organizational capabilities to ensure the Company maintains enduring core momentum and resilience in addressing evolving market challenges.

In 2025, the Company continued to advance its "1+2+X" product strategy, where "1" represents the smartphone business, serving as the Company's core main track; "2" refers to the personal computing and automotive electronics businesses, which are two key emerging areas of focus; and "X" refers to other multi-category businesses, including tablets, wearables, earphones, and smart eyewear.

The Company's "1+2+X" strategy is designed as a comprehensive extension to address new customer needs, emerging market opportunities, and technological innovation in the AI era. By expanding multiple product categories, fostering cross-industry collaboration, and delivering deeply customized services around the "1+2" core tracks, the Company enables its customers to achieve sustained growth and drive innovative development in rapidly evolving markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding its customer strategy, the Company focuses on serving leading global customers, placing customer needs at the center and starting point of its operations, and is committed to establishing long-term, stable partnerships. In focusing on top-tier customers, the Company consistently adheres to the principle of deepening and refining its services to meet increasingly complex and sophisticated customer requirements, providing comprehensive and full-category service support. Leveraging its international business division, the Company accelerates its global expansion, concentrating on key overseas markets such as North America, Japan, South Korea, and Europe. Simultaneously, through the establishment of the mobile business group, the Company has achieved end-to-end resource integration, effectively meeting increasingly complex, sophisticated, and high-end customer demands by offering full-category, one-stop services. As leading customers pursue increasingly diversified scenario deployments and expand their product portfolios, ODM providers equipped with multi-category development capabilities, global delivery systems, and flexible, efficient organizational management are best positioned to deliver better services and unleash their greater growth potential.

Regarding its intelligent manufacturing strategy, the Company is customer demand-driven, and focuses on the development of multi-category manufacturing capabilities to meet customers' increasingly diverse needs. In this process, the Company not only enhances the manufacturing capabilities and efficiency of its domestic production bases but also extends these best practices to its factories in Vietnam and India, thereby building and reinforcing a global manufacturing network. The Company emphasizes lean production, automation, and design for manufacturability (DFM) as core drivers, supported by digital transformation, deeply integrating advanced manufacturing technologies with information technology. Notably, it has achieved significant breakthroughs and widespread adoption of automation in key areas such as product placement, assembly, intelligent inspection, and automated final-product appearance checks, effectively driving the transformation and upgrading of lean production. Furthermore, the Company has deployed advanced solutions in smart logistics and intelligent warehousing, further optimizing supply chain management. By consistently adhering to production objectives of high quality, low cost, rapid responsiveness, and on-time delivery, the Company provides a solid foundation for its global strategic expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding its innovation and digitalized operations strategy, the Company drives both product innovation through technological innovation and efficiency optimization through business transformation and digitalization, thereby continuously strengthening its innovation capabilities and internal management to support the long-term sustainable growth of its business. The Company continues to increase investment in pre-research of new technologies and products. Through the 2111 Laboratory, it focuses on developing future-oriented technologies, continuously building technological barriers, and actively promoting the widespread application of AI across R&D, manufacturing, and digital operations. In terms of business transformation and digitalization, the Company aligns initiatives with its strategic objectives, adopts internationally advanced management concepts and methodologies, and benchmarks against the best practices adopted by leading enterprises, thereby improving process standardization, operational precision, and decision-making efficiency, thereby comprehensively optimizing overall operational quality.

The strategic core of the Company's long-term growth is centered on a dual-drive approach of "organic growth and external expansion." On organic growth, the Company will continue to expand its "1+2+X" product portfolio, maintaining smartphones as its core business while actively exploring more high-potential AI smart hardware products. On external mergers and acquisitions, the Company will focus on its main business, concentrating on the expansion of core major customers and technological capabilities, and capitalizing on development trends in AI infrastructure and edge applications to selectively and prudently pursue strategic investments or mergers and acquisitions.

Business plan

In 2026, the Company will systematically advance its operations along three strategic priorities: "stabilize the core business, grow new revenue streams, and reinforce key capabilities." In the smartphone and tablet segments, the Company will continue to focus on core models and main price tiers for leading domestic and international customers. On one hand, the Company continues to improve the success rate of key projects, the efficiency of mass production ramp-ups, and the reliability of overseas deliveries. On the other hand, through platform-based development, optimization of core component solutions, improvement of manufacturing yields, and cost reduction via supply chain collaboration, the Company will continuously enhance project operational quality. For the tablet business, the Company will concentrate on the primary product lines of core customers, strengthening the integration of AI features, collaborative product definition, and rapid delivery capabilities, thereby driving both market share growth and engagement with individual customers.

In the AIoT segment, the Company will further concentrate resources on key areas where it has already established a solid customer base and manufacturing capabilities, particularly smart wearables and smart eyewear. The wearables business will focus on upgrading mid-to-high-end products, expanding health-related features, and securing projects from key customers, thereby further enhancing product value. The smart eyewear business will focus on building mass-production capabilities for complete AI eyewear, with particular emphasis on strengthening capabilities across critical processes, including structural components, device assembly, testing and calibration, and yield control. This will facilitate the transition of key projects from development and introduction to scaled delivery. Meanwhile, the Company will proactively build technological reserves in AR-related core components and processes, laying a foundation for future product iterations and customer expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

In the AI PC segment, the Company will leverage leading global chip platforms to accelerate the development of complete device solution capabilities covering multiple product form factors, with a focus on securing the introduction and mass production of key projects from leading customers. To support the development of the AI PC business, the Company will continue to strengthen its capabilities in areas such as mechanical design, thermal and power design, keyboard modules, testing and validation, supply chain delivery, and after-sales quality management. By building more flexible manufacturing lines and a digitalized operations system, the Company will enhance its ability to switch between multiple models, enable rapid delivery, and optimize cost control, gradually cultivating the AI PC business into a new large-scale growth driver for the Company. Currently, the rapid development and iteration of AI Agents are driving AI PCs to become the core carrier that integrates on-device computing power with cloud ecosystems and supports a wide range of AI Agent applications. The Company will closely follow this industry trend, leveraging its full-chain capabilities and flexible product solutions to explore development opportunities arising from the industrial transformation towards generalized AI PCs.

In the automotive electronics segment, the Company will continue to focus on areas where it has an established product foundation and clear customer opportunities, promoting the iterative upgrade of core products and the mass production of new projects. On one hand, the Company will further strengthen its automotive-grade quality management system, project management, and supply chain assurance capabilities to enhance product development success rates and mass-production stability. On the other hand, focusing on key categories such as cockpit domain controllers, the Company will expand its overseas customer base, establish overseas manufacturing quality standards, and enhance international delivery capabilities, gradually building a replicable closed-loop model for project acquisition, reliable delivery, and commercial realization for its automotive electronics business.

Overall, in 2026, the Company will focus on consolidating its core smartphone and tablet businesses while accelerating the transition of new businesses, including AIoT, AI PCs, and automotive electronics from “project-level breakthroughs” to “replicable capabilities” and “scaled delivery.” The Company will continue to enhance operating quality and its medium – to long-term competitiveness by optimizing its customer mix, upgrading its product portfolio, improving its overseas manufacturing footprint, strengthening key technologies and manufacturing capabilities, and advancing business-oriented project management and digital-driven operational efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial statements and the notes thereto in this annual report.

Revenue

For the year ended December 31, 2025, we recorded revenue of RMB42,124.8 million, representing a decrease of 9.2% from RMB46,382.5 million in 2024, which was primarily due to a decrease of RMB7,198.0 million in revenue from sales of smartphones, in particular, (i) a decrease in ODM shipments influenced by the life cycle of certain products, as certain models approached the end of their life cycle, resulting in lower shipments, while new models were still in their early production stages, and (ii) weakened consumer replacement demand due to macroeconomic fluctuations; partially offset by (a) an increase of RMB2,295.7 million in revenue from sales of AIoT and other products, which was attributable to (i) the growing consumer demand for smart eyewear products, particularly AI glasses, (ii) strong market acceptance of a smartwatch series, which gained popularity due to its product performance such as large display, elegant design, Bluetooth calling feature and extended battery life, leading to higher ODM shipments, and (iii) our expansion into niche segments of the smart wearables market, including children's wearables and medical wearables, and (b) an increase of RMB456.3 million in revenue from sales of tablets, attributable to the launch of several high-end flagship tablet products, and (c) an increase of RMB188.3 million in revenue from sales of other products.

During the Reporting Period, our revenue by product categories was as follows:

Revenue by Product Type

	Year ended December 31,	
Product category	**2025**	2024
	RMB'000	RMB'000
Smartphones	**28,934,703**	36,132,747
AIoT and other products	**7,868,884**	5,573,138
Tablets	**4,152,643**	3,696,313
Others	**1,168,579**	980,274
Total	**42,124,809**	46,382,472

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Geographical Location

Geographical market	Year ended December 31, 2025 RMB'000	2024 RMB'000
Chinese Mainland	24,553,814	31,406,597
Overseas	17,570,995	14,975,875
Total	42,124,809	46,382,472

Cost of Sales

Our cost of sales for the Reporting Period primarily consisted of (i) direct material costs, (ii) staff costs, (iii) manufacturing costs, and (iv) outsourced processing costs and others.

Our cost of sales decreased by 11.8% from RMB43,676.1 million in 2024, which is generally in line with the revenue recorded.

During the Reporting Period, our cost of sales by product categories was as follows:

Cost of Sales by Product Type

Product category	Year ended December 31, 2025 RMB'000	2024 RMB'000
Smartphones	26,719,893	34,446,018
AIoT and other products	6,943,809	4,958,370
Tablets	3,861,046	3,386,974
Others	1,007,747	884,731
Total	38,532,495	43,676,093

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

During the Reporting Period, our gross profit increased by 32.7% from RMB2,706.4 million in 2024, and the gross profit margin increased by 2.7 percentage points from 5.8% in 2024, primarily due to (i) our focus on higher-quality growth during this period by concentrating on projects involving more advanced and innovative product types that address greater market demand and offer higher gross profit potential, while strategically foregoing certain low-margin projects, and (ii) the stabilization of raw material prices in the market, which ended the upward trend seen in 2024.

During the Reporting Period, our gross profit of principal business by product categories was as follows:

	Year ended December 31,		
	2025	2024	Change
	RMB'000	RMB'000	%
Smartphones	**2,214,810**	1,686,729	31.3
AIoT and other products	**925,075**	614,768	50.5
Tablets	**291,597**	309,339	(5.7)
Others	**160,832**	95,543	68.3
Total	**3,592,314**	2,706,379	32.7

During the Reporting Period, our gross profit margin of principal business by product categories was as follows:

	Year ended December 31,		
	2025	2024	Change
	%	%	%
Smartphones	**7.7**	4.7	3.0
AIoT and other products	**11.8**	11.0	0.8
Tablets	**7.0**	8.4	(1.4)
Others	**13.8**	9.7	4.1
Total	**8.5**	5.8	2.7

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and Gains

Our other income for the Reporting Period primarily consisted of (i) value-added tax additional deduction, (ii) government grants, and (iii) interest income. Our gains primarily consisted of (i) net fair value changes of investments measured at FVTPL, mainly in relation to wealth management products and shares we held in listed and unlisted companies.

For the year ended December 31, 2025, we recorded RMB647.5 million in other income and gains, representing an increase of 11.9% from RMB578.6 million in 2024, primarily due to (i) an increase in net fair value changes of investment measured at FVTPL of RMB104.4 million, and (ii) an increase in government grants of RMB62.1 million, partially offset by a decrease in value-added tax additional deduction of RMB98.2 million in relation to preferential tax treatments we received under a value-added tax additional deduction policy for advanced manufacturing enterprises issued by a local authority.

Sales and Marketing Expenses

Our sales and marketing expenses for the Reporting Period primarily consisted of (i) employee benefit expenses, (ii) share-based payments, (iii) travel and communication expenses, (iv) business development expenses, (v) depreciation and amortization expenses allocated to the sales and marketing department, and (vi) others, including selling consultation fees, customs declaration fees and meeting and exhibition fees.

Our sales and marketing expenses increased by 9.4% from RMB89.8 million for the year ended December 31, 2024 to RMB98.2 million for the year ended December 31, 2025, primarily due to the increase in the number of our sales and marketing personnel.

Administrative Expenses

Our administrative expenses for the Reporting Period primarily consisted of (i) employee benefit expenses, (ii) share-based payments, (iii) depreciation and amortization for offices, equipment and other assets which were used for administrative purpose, (iv) tax and other surcharges, (v) travel and communication expenses, (vi) consultation expenses in relation to legal and audit consultation services and (vii) others, including leased property management fees, business development expenses, maintenance fees and bank charges.

Our administrative expenses increased by 40.1% from RMB506.1 million for the year ended December 31, 2024 to RMB709.1 million for the year ended December 31, 2025, primarily due to the increase in the number of our administrative personnel.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

Our research and development expenses for the Reporting Period primarily consisted of (i) employee benefit expenses, (ii) share-based payments, (iii) technical service fees, mainly in relation to testing and software services, (iv) costs of consumables, (v) depreciation and amortization expenses in relation to our research and development equipment and instruments as well as intangible assets which were used for research and development purpose, (vi) travel and communication expenses, and (vii) others, including property management fees and maintenance fees.

Our research and development expenses increased by 30.5% from RMB2,080.2 million for the year ended December 31, 2024 to RMB2,715.2 million for the year ended December 31, 2025, primarily attributable to (i) an increase in employee benefit expenses of RMB326.9 million as a result of the increase in the number of our research and development personnel, to support our expansion into new business areas, tackle key technological challenges and drive product iteration and optimization, and (ii) an increase in technical service fees of RMB121.6 million which was mainly in relation to our increased demands for outsourced testing and research services as we concurrently initiated multiple time-sensitive R&D projects which were divided into distinct research components.

Other Expenses

Our other expenses for the Reporting Period primarily consisted of (i) foreign exchange losses, (ii) non-operating expenses, mainly including scrapping of long-term assets and donations, (iii) losses from disposal of assets, and (iv) derecognised bills expenses.

Our other expenses increased from RMB56.1 million for the year ended December 31, 2024 to RMB59.0 million for the year ended December 31, 2025, primarily due to an increase in losses from disposal of property, plant and equipment, and other intangible assets of RMB6.4 million and an increase in foreign exchanges losses of RMB35.8 million, partially offset by a decrease in impairment of prepayments of RMB39.1 million.

Finance Costs

Our finance costs for the Reporting Period primarily consisted of (i) interest on interest-bearing bank borrowings, and (ii) interest on lease liabilities.

Our finance costs decreased from RMB67.5 million for the year ended December 31, 2024 to RMB60.8 million for the year ended December 31, 2025, primarily attributable to a decrease in interest on interest-bearing bank borrowings of RMB6.0 million, resulting from new bank borrowings secured at comparatively lower interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

Our income tax expense for the Reporting Period primarily consisted of current income tax and deferred income tax.

Our income tax expenses increased from RMB20.7 million for the year ended December 31, 2024 to RMB38.9 million for the year ended December 31, 2025, primarily attributable to an increase in our taxable profit during the period.

Profit for the Year

As a result of the foregoing, we recorded profit for the year of RMB588.3 million, representing an increase of 19.3% from the RMB493.4 million in 2024.

Analysis on Assets and liabilities

	Year ended December 31,		
	2025	2024	Change Ratio
	RMB'000	RMB'000	%
Total non-current assets	**5,025,346**	4,184,875	20.1
Total current assets	**21,060,989**	22,160,739	(5.0)
Total Current liabilities	**19,242,252**	19,724,450	(2.4)
Total non-current liabilities	**1,017,765**	1,028,034	(1.0)
Net assets	**5,826,318**	5,593,130	4.2

Property, Plant and Equipment

Our property, plant and equipment as of December 31, 2025 mainly consisted of machinery, buildings, construction in progress, office equipment and electronic devices, leasehold improvements and vehicles.

Our property, plant and equipment increased from RMB2,405.8 million as of December 31, 2024 to RMB3,056.1 million as of December 31, 2025, primarily due to an increase in construction in progress of RMB472.8 million mainly in relation to the continued construction upgrade of our headquarters in Shanghai.

Right-of-use Assets

Our right-of-use assets as of December 31, 2025 were primarily related to leasehold land and buildings for our manufacturing facilities and office premises.

Our right-of-use assets increased from RMB655.3 million as of December 31, 2024 to RMB673.9 million as of December 31, 2025, primarily due to the acquisition of leasehold land of RMB55.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss as of December 31, 2025 mainly represented (i) our listed equity investments, at fair value, (ii) structured deposits and wealth management products, and (iii) other unlisted investments, at fair value.

Our financial assets at fair value through profit or loss increased from RMB1.6 billion as of December 31, 2024 to RMB3.7 billion as of December 31, 2025, primarily due to an increase in purchase of wealth management products of RMB1.9 billion.

Prepayments, Other Receivables and Other Assets

Our non-current portion of prepayments, other receivables and other assets as of December 31, 2025 mainly consisted of (i) prepayments for items of property, plant and equipment, and (ii) deposits. Our current portion of prepayments, other receivables and other assets as of December 31, 2025 mainly consisted of (i) other tax recoverable, including input tax pending certification and deduction, (ii) prepayments to suppliers for procurement of raw materials, (iii) deposits to our suppliers to secure their production capacity, and (iv) others.

Our prepayments, other receivables and other assets increased from RMB369.3 million as of December 31, 2024 to RMB581.4 million as of December 31, 2025, primarily due to an increase in other tax recoverable of RMB162.1 million, reflecting the increase in retained input VAT in relation to the continued construction upgrade of our headquarters in Shanghai.

Inventories

Our inventories as of December 31, 2025 primarily consisted of raw materials, outsourced processing materials, work in progress and finished goods.

Our inventory level remained relatively stable as of December 31, 2025.

Trade and Bills Receivables

Our trade and bills receivables as of December 31, 2025 primarily consisted of outstanding amounts payable by third parties.

Our trade receivables decreased from RMB11.7 billion as of December 31, 2024 to RMB9.9 billion as of December 31, 2025, primarily due to the collection of trade and bills receivables upon maturity.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledged Deposits

Our pledged deposits as of December 31, 2025 primarily represent secured or restricted deposits held in designated bank accounts for issuance of bank acceptance bills and letters of credit to facilitate our payment to suppliers.

Our pledged deposits decreased from RMB1,222.9 million as of December 31, 2024 to RMB334.4 million as of December 31, 2025, primarily due to changes in the pledged deposit ratios required by different banks and changes in the amount of bank acceptance bills issued by such banks.

Contract Liabilities

Our contract liabilities are recognized when a payment is received, or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services.

Our contract liabilities increased from RMB9.4 million as of December 31, 2024 to RMB62.9 million as of December 31, 2025, primarily due to an increase in prepayments received from customers for technology development services, such as engineering, design and production validation testing, related to non-recurring engineering projects for their products that are subject to final delivery.

Other Payables and Accruals

The current portion of our other payables and accruals mainly included (i) payroll and welfare payable, (ii) other tax payables, (iii) deposits, and (iv) shares repurchase obligation recognized, representing consideration paid by employees for the Restricted Shares. The non-current portion of our other payables and accruals included long-term payables for equipment.

Our other payables and accruals increased from RMB462.7 million as of December 31, 2024 to RMB801.0 million as of December 31, 2025, primarily due to the increase in shares repurchase obligation recognized in relation to consideration paid by employees for the Restricted Shares.

Cash Flow, Liquidity and Capital Resource

Our primary uses of cash during the Reporting Period were to fund the construction of our manufacturing facilities, procurement of raw materials, research and development activities, among other working capital needs. Our anticipated cash needs primarily relate to our business operations, expansion of production capacity, and product research and development. We expect to fund our future working capital and other cash requirements primarily with cash generated from our operations, bank borrowings and other financing activities. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, our net cash generated from operating activities increased from RMB1,026.5 million as of December 31, 2024 to RMB1,137.9 million as of December 31, 2025. Our net cash generated from operating activities of RMB1,137.9 million was derived from profit before tax of RMB627.2 million, adjusted for certain non-cash and working capital items, including (i) positive adjustments, which primarily included a decrease in restricted cash and pledged deposits of RMB1,183.0 million, a decrease in trade and bills receivables of RMB1,593.6 million, an increase in other payables and accruals of RMB95.8 million and an increase in contract liabilities of RMB53.5 million, and (ii) negative adjustments, which primarily included a decrease in trade and bills payables of RMB2,700.6 million, a decrease in deferred income of RMB28.9 million, an increase in inventories of RMB115.8 million and an increase in prepayments, other receivables and other assets of RMB178.8 million.

During the Reporting Period, our net cash used in investing activities increased from RMB2,066.7 million as of December 31, 2024 to RMB2,811.0 million as of December 31, 2025, primarily due to (i) an increase in net payments for purchase of investment measured at FVTPL (total payments for purchase of investment measured at FVTPL minus proceeds from disposal of these assets) of RMB648.2 million, and (ii) an increase in net payments for purchase of items of property, plant and equipment (total payments for purchase of items of property, plant and equipment minus proceeds from disposal of these assets) of RMB215.8 million.

During the Reporting Period, our net cash from financing activities decreased from RMB2,105.5 million as of December 31, 2024 to RMB1,242.8 million as of December 31, 2025, primarily due to (i) the utilization of proceeds from A-Share Listing of RMB1,380.8 million, (ii) an increase in repurchase of shares held for Employee Stock Ownership Scheme of RMB299.9 million and (iii) an increase in withdrawal of pledged deposits of RMB255.0 million, partially offset by (i) an increase in net bank loans inflow (new bank loans minus repayment of bank loans) of RMB941.4 million and (ii) an increase in proceeds from shares granted under a share award scheme of RMB133.7 million.

As of December 31, 2025, our cash and cash equivalents amounted to RMB4,987.9 million (December 31, 2024: RMB5,461.5 million). The decrease in our cash and cash equivalents is primarily attributable to purchase of the wealth management products at the year end. Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

The management is confident that the Company's financial resources is sufficient for its daily operations.

Lease Liabilities

During the Reporting Period, our lease liabilities were primarily in relation to the lease of buildings used in our operations.

Our lease liabilities decreased from RMB244.7 million as of December 31, 2024 to RMB218.4 million as of December 31, 2025, primarily due to lease payments.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest-bearing Bank Borrowings

Our bank borrowings were obtained from commercial banks. Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans.

We had total interest-bearing bank borrowings of RMB2,501.4 million and RMB4,218.4 million as of December 31, 2024 and 2025, primarily due to new bank loans secured.

Trade and Bills Payables

Our trade and bills payables primarily related to the purchase of raw materials and equipment. Our trade and bills payables decreased from RMB17.3 billion as of December 31, 2024 to RMB14.8 billion as of December 31, 2025, primarily due to settlements made to our suppliers during the period.

Contingent Liabilities

As of December 31, 2025, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group (as of December 31, 2024: nil).

Capital Expenditures

Our capital expenditures (including cash outflow for purchase of items of property, plant and equipment, other intangible assets and leasehold land) amounted to RMB982.0 million during the Reporting Period (December 31, 2024: RMB707.4 million), which were used for the continued construction upgrade of our headquarters in Shanghai and investments in machinery to support manufacturing needs.

Capital Commitments

As of December 31, 2025, our capital commitments amounted to RMB432.7 million (as of December 31, 2024: RMB318.3 million), which were mainly related to the construction of phase II of our Nanchang manufacturing center to further enhance our production capacity.

Future Plans for Material Investments or Capital Assets

We plan to apply approximately HK$451.7 million from the proceeds from the Listing of the Company's H shares to expand the manufacturing center in Chinese mainland.

Saved as disclosed above, we did not have any concrete future plans for material capital expenditure, investments or capital assets as of the date of this annual report. We will make further announcements in accordance with the Hong Kong Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currency Risk

We has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In managing the foreign exchange risks, we used foreign currency forward contracts as hedging instruments. Our foreign currency forward contracts recorded as assets amounted to RMB0.7 million as of December 31, 2024 and nil as of December 31, 2025. Our derivative financial instruments recorded as liabilities amounted to RMB27.6 million as of December 31, 2024 and RMB30.5 million as of December 31, 2025.

We have established comprehensive foreign exchange hedging policies to ensure effective control of our foreign exchange risks, covering management principles, approval authorities, operational processes, information segregation measures, internal audit and risk reporting, and disclosure requirements. We also conduct continuous research and analysis of currency markets, monitoring international market changes on a real-time basis to minimize exchange losses.

Gearing Ratio

Gearing ratio is calculated as net debt divided by the sum of total capital and net debt. Net debt includes interest-bearing bank borrowings, trade and bills payables, derivative financial instruments, other payables and accruals and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent.

As of December 31, 2025, our gearing ratio was 72% (December 31, 2024: 73%).

Charge on Assets

As of December 31, 2025, certain of the Group's leasehold land had been pledged as collaterals under the Group's borrowing arrangements, the carrying amount of which were RMB355.0 million as of December 31, 2025 (December 31, 2024: RMB362.6 million).

Saved as disclosed above, there were no other charges on the Group's assets as of December 31, 2025.

Dividends

At the date of this annual report, we hold a total of 1,229,937 A Shares held in treasury. Such treasury Shares will not receive the dividends distribution. There are no arrangements under which future dividends are waived or agreed to be waived.

According to applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by a Shareholders' meeting.

On 15 May 2025, a resolution to declare cash dividends was passed by the Shareholders in the annual general meeting for year ended December 31, 2024 with the amount of RMB5 per 10 ordinary A Shares (inclusive of related tax).

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Du Junhong (杜軍紅), aged 53, is our founder, chairman of our Board, an executive Director and one of our Controlling Shareholders. Mr. Du is primarily responsible for leading the operation of the Board, ensuring corporate governance compliance, formulating overall corporate strategy, and major decision-making of our Group.

Mr. Du has over two decades of robust experience in consumer electronics technologies and business management. Mr. Du founded our Company in October 2004 and has since led our development, assuming pivotal roles as directors and senior management across our Group. Mr. Du has been serving as our Director since the company's inception. He has been the chairman of our Board since September 2014. He currently holds directorships in a number of subsidiaries of our Group.

Mr. Du obtained a bachelor's degree in industrial automation from Zhejiang University (浙江大學) in China in June 1994 and a Ph.D. in electrical machines and appliances from Zhejiang University (浙江大學) in June 1999.

Mr. GE Zhengang (葛振綱), aged 50, is an executive Director, our general manager and one of our Controlling Shareholders. He is primarily responsible for formulating overall strategy and overseeing business operations and daily management of our Group.

Mr. Ge has over two decades of extensive experience in business and operations management. Mr. Ge joined our Group in October 2005 and successively served as assistant to president and the general manager of supply chain management center and operations center from October 2005 to May 2015. Since May 2015, Mr. Ge has successively served as our deputy general manager and general manager. He has been serving as our Director since May 2018. He currently holds directorships in a number of subsidiaries of our Group. Prior to joining our Group, Mr. Ge worked at Xiehe Petrochemical Group (China) Co., Ltd. (協和石油化工集團(中國)有限公司).

Mr. Ge obtained a bachelor's degree in chemistry and chemical engineering from Nanjing University (南京大學) in July 1998.

Mr. GUAN Yadong (關亞東), aged 54, is an executive Director and a deputy general manager of our Company. Mr. Guan is primarily responsible for formulating and implementing investment strategy of our Group and supervising risk assessment and compliance of investment team.

Mr. Guan has over 21 years of experience in consumer electronics technologies. Mr. Guan joined our Group since our inception. From October 2004 to May 2015, Mr. Guan has successively served as our technical director and a deputy general manager. Since May 2015, he has been serving as our Director and a deputy general manager. He currently holds directorships in a number of subsidiaries of our Group.

Mr. Guan obtained a bachelor's degree in electronic engineering in June 1995 and a master's degree in communication and information systems in March 2001 from Nanjing University of Science and Technology (南京理工大學).

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. QIN Yanling (覃艷玲), aged 54, is the employee representative Director of our Company. She is primarily responsible for internal control and risk management and supervising the compliance of business process of our Group.

Ms. Qin has over 21 years of experience in internal control and risk management. She joined our Group since our inception and has been serving as the deputy general manager of our finance system. From May 2015 to June 2025, Ms. Qin served as a supervisor of our Company. Since June 2025, she has been serving as the employee representative Director of our Company. Prior to joining our Group, Ms. Qin successively worked at the Finance and Economics Department of Hubei Minzu University (湖北民族學院), and worked at ZTE Corporation.

Ms. Qin obtained a bachelor's degree in mathematics from Hubei Minzu University (湖北民族學院) in China in July 1993 and a master's degree in accounting from Zhongnan University of Economics and Law (中南財經大學) in China in July 1999. She is a certified intermediate accountant in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SHEN Jianxin (沈建新), aged 57, is an independent non-executive Director of our Company. Dr. Shen is primarily responsible for supervising and providing independent opinion and judgment to our Board.

Dr. Shen has over 28 years of experience in electrical engineering and academia. From December 1997 to June 1999, he served as a postdoctoral researcher at the School of Electrical and Electronic Engineering, Nanyang Technological University in Singapore. From June 1999 to April 2002, he served as a research assistant at the Department of Electronic and Electrical Engineering, University of Sheffield in the United Kingdom. From April 2002 to April 2004, he served as a research engineer in the electrical department at the UK Research Center of Aisin Seiki Co., Ltd., Toyota Group (豐田集團愛信精機株式會社), a company listed on the Tokyo Stock Exchange (stock code: 7259). Since May 2004, Dr. Shen has been serving as a professor at the College of Electrical Engineering, Zhejiang University (浙江大學). Dr. Shen has also been serving as an independent director at (i) Hangzhou Micro-Light Electronic Co., Ltd. (杭州微光電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002801), since December 2021; and (ii) Zhejiang EV-Tech Co., Ltd. (浙江富特科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301607), since July 2022.

Dr. Shen obtained a bachelor's degree in electrical machinery in July 1991 and a master's degree in electrical machinery in June 1994 from Xi'an Jiaotong University (西安交通大學). In October 1997, he obtained a Ph.D. degree in electrical machinery from Zhejiang University (浙江大學).

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. YANG Chuan (楊川), aged 57, is an independent non-executive Director of our Company. Mr. Yang is primarily responsible for supervising and providing independent opinion and judgment to our Board.

Mr. Yang has robust experience in finance and business management. He formerly worked at Delphi Automotive Systems Corporation, a company currently known as Aptiv PLC and listed on the New York Stock Exchange (ticker symbol: APTV), where he departed in December 2009. From January 2010 to October 2012, he served as the finance director at Bosch Rexroth. From October 2012 to November 2024, he served as the vice president at Bosch (China) Investment Ltd. (博世(中國)投資有限公司), where he was recognized as the "2018 Gold Medal CFO of China (2018 中國金牌 CFO)" by the panel of judges at the 14th China CFO Conference organized by New Fortune magazine (新理財雜誌) in April 2019. From December 2024 to November 2025, Mr. Yang served as a senior director of Yuanjing Energy Co., Ltd. (遠景能源有限公司). Since December 2025, Mr. Yang has been serving as the chief financial officer of Shanghai Aiko Solar Energy Co., Ltd. (上海愛旭新能源股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600732).

Mr. Yang has been serving as an independent director of Shanghai Huapei Power Technology (Group) Co., Ltd. (上海華培數能科技(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603121), since November 2019; and an independent director of Hansun (Shanghai) Marine Technology Co., Ltd. (漢盛(上海)海洋裝備技術股份有限公司), a company whose shares are quoted on the National Equities Exchange and Quotations (stock code: 837291), since June 2025.

Mr. Yang obtained a bachelor's degree in financial accounting from Capital University of Economics and Business (首都經濟貿易大學) in July 1992, a master's degree in business administration from Guanghua School of Management, Peking University (北京大學光華管理學院) in July 1999 and a master's degree in executive business administration from China Europe International Business School (中歐國際工商學院) in September 2010. Mr. Yang holds the certificate of Certified Public Accountant (中國註冊會計師證書) granted by the Ministry of Finance.

Dr. NIU Shuangxia (牛双霞), aged 45, is an independent non-executive Director of our Company since June 2025. Dr. Niu is primarily responsible for supervising and providing independent opinion and judgment to our Board.

Dr. Niu has over 13 years of experience in engineering research. Since July 2012, she successively held positions as research assistant professor, assistant professor, associate professor and professor at the Faculty of Engineering, The Hong Kong Polytechnic University.

She has also been serving as an independent director of Fortior Technology (Shenzhen) Co., Ltd. (峰科技(深圳)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688279), since August 2024.

Dr. Niu obtained a bachelor's degree in automation in June 2002 and a master's degree in control theory and control engineering in March 2005 from Tianjin University (天津大學). In December 2009, Dr, Niu obtained a Ph.D. degree in electrical engineering from The University of Hong Kong.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

For the biographical details of Mr. GE Zhengang and Mr. GUAN Yadong, see the section headed "－Directors."

Mr. WANG Boliang (王伯良), aged 49, is a deputy general manager of our Company. Mr. Wang is primarily responsible for overseeing daily operation and management of our Group.

Mr. Wang has over two decades of solid experience in sales and marketing. Mr. Wang joined our Group in February 2005 as the deputy general manager of the marketing center and was later promoted to general manager of the business division until May 2015. He has been successively serving as the general manager of our marketing center and the deputy general manager of our strategy and marketing department since May 2015 and a deputy general manager since May 2018. Mr. Wang also served as our Director from May 2018 to January 2022, and was reappointed as a Director from November 2022 to June 2025. Mr. Wang resigned as a Director in June 2025. Prior to joining our Group, he worked at Shanghai Dibit Industry Co., Ltd. (上海迪比特實業有限公司).

Mr. Wang obtained a bachelor's degree in statistics and probability from East China Normal University (華東師範大學) in July 2000.

Mr. CHENG Lihui (程黎輝), aged 46, is a deputy general manager of our Company. He is primarily responsible for the R&D management and technological innovation of our Group.

Mr. Cheng has over two decades of robust experience in R&D of consumer electronics technologies. Mr. Cheng joined our Group in July 2004 and has successively served as the hardware department manager, R&D director, general manager of the R&D engineering center, general manager of the business unit and deputy general manager of our Company.

Mr. Cheng obtained a bachelor's degree in communication engineering from Xiamen University (廈門大學) in July 2002.

Mr. ZHENG Qi'ang (鄭啟昂), aged 40, is a deputy general manager of our Company. Mr. Zheng is primarily responsible for formulating and implementing our Group's marketing strategies and managing the international business division.

Mr. Zheng has over 15 years of experience in operations management. He joined our Company in January 2017 and has successively served as senior director of the procurement system, general manager of the procurement system and general manager of the marketing system. In February 2025, he was appointed as a deputy general manager of our Company. Prior to joining our Group, Mr. Zheng formerly worked at HP (Shanghai) Co., Ltd. (惠普(上海)有限公司). From 2011 to 2016, he worked at Lenovo Group Limited (聯想集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 992).

Mr. Zheng obtained a bachelor's degree in logistics management from East China University of Science and Technology (華東理工大學) in July 2008 and a master's degree in supply engineering and logistics from the University of Warwick in the United Kingdom in November 2009.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Zhijiong (張之炯), aged 46, is the chief financial officer of our Company.He is primarily responsible for overall financial matters of our Group.

Mr. Zhang has over 23 years of experience in financial management. He joined our Company in November 2020 and has been serving as our chief financial officer since then. Prior to joining our Group, he worked at Unicharm (China) Investment Co., Ltd. (尤妮佳(中國)投資有限公司), a subsidiary of a company listed on the Tokyo Stock Exchange (stock code: 8113), from 2002 to 2007. From 2007 to 2009, he worked at Johnson Controls International Battery Co., Ltd. (江森自控國際蓄電池有限公司). From May 2009 to October 2015, he worked at Bosch (China) Investment Co., Ltd. (博世(中國)投資有限公司). From November 2015 to November 2020, he worked at Shanghai Huapei Power Technology (Group) Co., Ltd. (上海華培數能科技(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603121).

Mr. Zhang obtained dual bachelor's degrees in asset valuation and accounting from Shanghai University of Finance and Economics (上海財經大學) in July 2002, a master's degree in business administration from Fudan University (復旦大學) in December 2012 and a master's degree in executive business administration from China Europe International Business School (中歐國際工商學院) in August 2021. He is a certified public accountant in the PRC.

Mr. ZHOU Liangliang (周良梁), aged 45, is the Board secretary and a deputy general manager of our Company. Mr. Zhou is primarily responsible for handling Board-related matters, capital market matters, legal affairs and compliance matters of our Group. Mr. Zhou has over 20 years of experience in investment management and board affairs.

Mr. Zhou joined our Group in October 2019 as our Board secretary and has been serving as our deputy general manager since January 2020. Prior to joining our Group, he served as an investment supervisor at Baida Group Co., Ltd. (百大集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600865), from February 2005 to September 2007. From September 2007 to February 2011, he served as investment department manager and securities affairs representative at Hangzhou Great Star Industrial Co., Ltd. (杭州巨星科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002444). From 2011 to 2019, he served as a deputy general manager and board secretary at CGN Juner New Materials Co., Ltd. (中廣核俊爾新材料有限公司).

Mr. Zhou obtained a bachelor's degree in finance from Zhejiang University of Finance and Economics (浙江財經大學) in June 2004 and a master's degree in business administration from Zhejiang University (浙江大學) in June 2019.

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the Reporting Period.

GENERAL INFORMATION

The Company was incorporated in the PRC with limited liability on October 27, 2004. The Company's A Shares were listed on the Shanghai Stock Exchange under the stock code 603341 on March 1, 2024, and its H Shares were listed on the Main Board of the Hong Kong Stock Exchange under stock code 9611 on January 22, 2026.

The Board currently comprises four executive Directors and three independent non-executive Directors. Details of the Board composition are set out in the sections headed "Corporate Information" on page 2 and "Corporate Governance Report" on page 63 of this annual report.

PRINCIPAL BUSINESS

We are a leading global provider of smart devices and services, offering solutions – including product research, design, manufacturing, and support – for renowned smart device brands and leading technology companies worldwide. We have built a diverse product portfolio that includes smartphones, AI PCs, automotive electronics, tablets, smart watches/bands, and smart eyewear.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Period is provided in the section headed "Business Review" under "Management Discussion and Analysis" of this annual report. The results of the Group for the Reporting Period are set out in the consolidated financial statements on pages 94 to 102 of this annual report. Future business development of the Group is provided in the section headed "Future Development" on page 14 under "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environmental protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including environmental initiatives, corporate governance, community philanthropy, ethical labor practices, and supply chain sustainability. ESG considerations are embedded in our business strategy and daily decision-making processes, enabling us to create long-term value for our stakeholders while fulfilling our environmental and social responsibilities.

During the Reporting Period, we continuously enhanced our ESG practices through internal policies, performance monitoring, and stakeholder engagement, aiming to contribute positively to society and the environment while driving high-quality, sustainable growth. We have established a comprehensive ESG governance framework to ensure effective oversight, implementation, and continuous improvement of our sustainability initiatives. Going forward, we expect to incur environmental protection expenditures that align with our projected business growth, resource consumption and pollutant emission targets, and evolving regulatory environments. For further details of the Group's environmental policies and performance, please refer to the "2025 Environmental, Social and Governance Report" of the Company, which was published separately.

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL REVIEW

The consolidated financial results of the Group for the Reporting Period are set out on pages 94 to 191 of this annual report. An analysis of the Group's performance during the Reporting Period is provided in the section headed "Financial Review" on pages 19 to 29 under "Management Discussion and Analysis" of this annual report.

PROFIT DISTRIBUTION

Profit Distribution Policy

The Company has adopted a dividend policy, which provides the principles and guidelines in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

In recommending or declaring dividends, the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth as well as its shareholder value. Further details of the dividend policy of the Company is set out in the section headed "Corporate Governance Report – Dividend Policy" of this annual report.

Regarding the declaration and payment of dividends, the Board considers the results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), market conditions, the Company's strategy and projection for business, the Company's contractual restrictions and obligations, taxation, regulatory restrictions, cash requirements and availability and any other factors that the Board may consider relevant.

All dividend decisions made by the Board during the Reporting Period and up to the date of this annual report were made in accordance with the issuer's dividend policy.

2025 Profit Distribution Plan

The Board proposed the following 2025 Profit Distribution Plan: distribute a dividend of RMB5 per 10 Ordinary Shares (tax inclusive) (2024: RMB5 per 10 Ordinary Shares (tax inclusive)) to the Shareholders as of the record date for determining Shareholders' entitlements to the 2025 Profit Distribution Plan. Based on a total of 522,590,644 Shares in issue as of the record date and excluding 1,229,937 A Shares held in treasury, the total amount of the proposed final dividend is approximately RMB260,680,353.5 (tax inclusive) (2024: RMB228,798,303.5 (tax inclusive)).

The 2025 Profit Distribution Plan is subject to the approval of the Shareholders at the AGM and the above profit distribution is expected to be paid to the eligible Shareholders no later than two months after the AGM.

Information on the closure period of the register of members of the Company in relation to the proposed 2025 Profit Distribution Plan and the record date for determining entitlements to the 2025 Profit Distribution Plan will be announced in due course.

As of the date of this annual report, the Board is not aware of any Shareholder who has waived or agreed to waive any dividends.

REPORT OF THE BOARD OF DIRECTORS

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as otherwise disclosed in this annual report, the Group does not have any other important events occurred after the Reporting Period and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING BY THE GROUP

The following are parts of the key risks and uncertainties identified by the Group:

Risks Relating to Our Industry and Business

- We are exposed to risks arising from macroeconomic fluctuations and the cyclical characteristics of the consumer electronics industry, which may adversely affect its business, financial condition and results of operations.

- Our historical financial and operating results may not be indicative of our future performance.

- We derived a substantial portion of revenue from certain major customers during the Track Record Period and the loss of, or a significant reduction in, revenue from such customers could materially and adversely affect our results of operations.

- The global smart device ODM industry is highly competitive and concentrated among a few major players. If we cannot compete effectively, our market share and profitability could be adversely affected.

- We may be adversely affected by a potential decline in the size of the smart device ODM market, which could result from macroeconomic fluctuations impacting demand in the consumer electronics sector or from increasing technological requirements of brand owners leading to greater in-house product development.

- The expansion and profitability of our business depend on the level of consumer demand and spending on smart devices, which could be affected by factors beyond our control.

- We generally do not have long-term purchase commitments from most of our customers, which may subject us to uncertainty and revenue volatility from period to period.

- We may not be able to manage the pricing of our products as a result of any decrease in our bargaining power or changes in market conditions.

- We may not be able to successfully execute our growth strategies and manage the associated challenges in new and evolving business areas.

- Our success depends on a stable and adequate supply of raw materials which are subject to price volatility and other risks.

- Any disruption of our current manufacturing centers or failure to successfully execute our capacity expansion and equipment upgrade plans or failure to effectively utilize our production facilities may have a material adverse effect on our business, financial condition and results of operations.

REPORT OF THE BOARD OF DIRECTORS

- Any quality issues associated with our products may expose us to potential liabilities, subject us to risks relating to warranty claims, result in lost customers and sales, product recalls and increased compliance costs, which could adversely affect our results of operations and financial condition.

- We are subject to risks associated with outsourced production, including risks inherent in managing manufacturing process and timelines.

Risks Relating to Financial, Accounting and Tax Matters

- We may need additional capital, and financing may not be available on terms acceptable to us, or at all.

- Our gross profit margin is subject to fluctuations due to factors such as pricing pressure, fluctuations in raw material and other costs, changes in revenue mix and market position.

- Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

- Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

- We are subject to credit risk in collecting trade and bills receivables due from the customers.

- Our level of indebtedness may adversely affect our ability to raise additional capital to fund our operations, expose us to interest rate risk and prevent us from meeting our obligations under our indebtedness.

- We are exposed to changes in the fair value of our investments measured at FVTPL. Fluctuations in their values would affect our results of operations and financial condition.

- Government grant we have enjoyed may change or discontinue, which may adversely affect our financial condition and results of operation.

- We could be subject to changes in our tax rates, the adoption of new tax legislation or exposure to additional tax liabilities. Any reduction or discontinuation of preferential tax treatments could adversely affect our results of operations and financial condition.

- We may continue to incur share-based payment expenses in the future, which could adversely affect our financial performance and dilute your shareholding.

Risks Relating to Our Operations

- Our success depends largely on the continued service of our senior management and key technical personnel and our ability to recruit, train or retain qualified personnel or sufficient workforce while controlling our labor costs.

REPORT OF THE BOARD OF DIRECTORS

- Our expansion into international markets may be adversely affected by legal, regulatory, political and economic risks.

- Our future partnerships and/or acquisitions may prove to be difficult to integrate and manage or may not be successful. Failure to address such risk may have a material adverse effect on our financial condition and results of operations.

- Our business may suffer as a result of adverse outcomes of current or future litigation and regulatory actions, including with respect to anti-competitive practices.

- We may not be able to adequately protect our intellectual property rights or trade secrets and may have intellectual property disputes, which may result in loss of market share to our competitors and affect our business and results of operations.

- We may be the subject of unfair competition, harassing, or other detrimental conduct by third parties including complaints to regulatory authorities, negative social media postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenue.

- We are exposed to risks arising from international trade frictions and changes in global trade policies, including the potential imposition of additional tariffs, import and export restrictions, which may adversely affect its business operations and supply chain arrangements. We could be adversely affected as a result of our operations and investments in certain countries and business areas that are subject to evolving economic sanctions and restrictions of the United States government, the United Nations Security Council, the EU and other relevant sanctions authorities.

- Our business is subject to a variety of laws, rules, policies and other obligations domestically and aboard regarding, including without limitation, environment protection, labor protection, work safety, data protection and taxation. Any failure to comply with the relevant laws, regulations and policies and any failure to fulfil legal or contractual obligations could result in significant penalties, operational disruptions, economic and reputational damages and subject us to financial, legal and operational consequences.

- Our limited insurance coverage may not cover all losses, which may increase our operational costs.

- We may not be able to detect and prevent fraud or other misconduct committed by our employees, customers, suppliers or other third parties.

- Our leased properties may be subject to non-compliances or challenges that could expose us to penalties and incremental costs.

- Failure to comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners, could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.

REPORT OF THE BOARD OF DIRECTORS

- Developments in social and economic policies, as well as the interpretation and enforcement of laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

- Any lack of requisite approvals, licenses or permits applicable to our business, or any non-compliance with relevant laws and regulations as a result of the complexity of laws and regulations and revisions of laws and regulations from time to time, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

MAJOR SUPPLIERS AND CUSTOMERS

Our suppliers primarily include providers for raw materials, equipment, production consumables, and packaging materials, as well as outsourced manufacturing service providers and external R&D and testing partners. During the Reporting Period, the revenue generated from Group's largest customer accounted for 28.7% of the Group's total revenue and the revenue generated from the Group's five largest customers accounted for 80.4% of the Group's total revenue.

Our customers primarily consist of leading global smart device brands and top-tier technology companies, many of which maintain stringent supplier qualification standards. During the Reporting Period, the purchases from the Group's largest supplier accounted for 11.7% of the Group's total purchases and the purchases from the Group's five largest suppliers accounted for 33.8% of the Group's total purchases.

As of the date of this annual report, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or five largest customers.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders, customers and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We provide on-board training as well as professional and compliance training programs to our employees. We enter into employment contracts with our employees to cover matters such as salaries, benefits and compensation, confidentiality obligations and grounds for termination. The remuneration package of our employees usually includes salary, bonus and share incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

REPORT OF THE BOARD OF DIRECTORS

Relationship with Our Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialog with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, periodic reports and results announcements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

As of December 31, 2025, details of our main constructions in progress are as follows:

Address and postal code	Stage of completion	Expected completion date	Planned use	Gross floor area	Interest held by the Company
No. 2111, Hongxin Road, Minhang District, Shanghai (上海市閔行區虹莘路 2111 號), 201101	Approximately 93%	By the end of March 2026	R&D; office building for administration purpose	Approximately 122,062.73 square meters	100%

RESERVES AND DISTRIBUTABLE RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 98 to 99 of this annual report. Details of movements in the reserves of the Company during the Reporting Period are set out in note 44 to the financial statements. As of December 31, 2025, the Group's distributable reserves, calculated in accordance with PRC rules and regulations, were RMB2,271.3 million.

SUBSIDIARIES

Details of the subsidiaries of the Company as of December 31, 2025 are set out in note 1 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the Reporting Period are set out in note 30 to the financial statements.

REPORT OF THE BOARD OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

In compliance with the Rule 19A.28B(2) of the Hong Kong Listing Rules, for a PRC issuer with other listed shares, its portion of H shares listed on the Exchange and held by the public must, at all times: (a) have a market value of at least HK$1,000,000,000; or (b) represent at least 5% of the PRC issuer's total number of issued shares in the class to which H shares belong (excluding treasury shares).

Based on the information that is publicly available to the Company and to the best knowledge of the Board, as of the date of this annual report, all of the H Shares are held by the public, and therefore the Company has maintained the prescribed minimum public float required by the Hong Kong Stock Exchange during the Reporting Period and as of the date of this annual report.

SHARE INCENTIVE SCHEMES

As of December 31, 2025, the Company had two effective share incentive schemes, namely the Restricted Share Scheme and the Employee Stock Ownership Scheme, both of which were approved by the Shareholder at the Shareholders' meeting of the Company held on May 26, 2025.

The A Shares that may be issued in respect of Restricted Shares granted under the Restricted Share Scheme amount to 5,235,000. All A Shares utilized for the grant under the Employee Stock Ownership Scheme were repurchased on market. Therefore, the number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant class in issue (excluding treasury Shares) for the Reporting Period equals to 1.13%.

Restricted Share Scheme

Summary of principal terms

The following is a summary of the principal terms of the Restricted Share Scheme.

Purpose

The purpose of the Restricted Share Scheme is to further improve our Company's long-term incentive mechanism, attract and retain outstanding talents, effectively align the interests of our Shareholders, our Company and employees, and enable all stakeholders to jointly focus on the long-term development of the Company. The Restricted Share Scheme is implemented to align the interests of the Shareholders, and in accordance with the principal of reciprocity between earnings and contributions.

REPORT OF THE BOARD OF DIRECTORS

Administration

The Restricted Share Scheme is subject to the approval of the Shareholders' meeting, administration of the Board, and the supervision of the Remuneration and Assessment Committee of our Company.

Eligible participants

The eligible participants of the Restricted Share Scheme include Directors, mid-level and senior management, core technical personnel, and other core and key personnel determined by the Board as requiring incentives, of our Group.

Source and maximum number of the Restricted Shares

The underlying Shares for the Restricted Share Scheme shall be A Shares to be issued by our Company. Upon adoption of the scheme, the maximum number of Restricted Shares grantable under the Restricted Share Scheme was 5,300,000 A Shares, representing 1.01% of the Company's the total issued share capital as of the date of this annual report.

The first tranche of Restricted Shares representing 4,335,000 A Shares was granted to 269 grantees on May 26, 2025, in which Restricted Shares representing 50,000 A Shares granted to four grantees were voluntarily waived by such grantees. Subsequently on July 15, 2025, 4,285,000 A Shares underlying the first tranche of Restricted Shares granted were issued and registered. The reserved tranche of Restricted Shares representing 965,000 A Shares was granted to 80 grantees on November 20, 2025, in which Restricted Shares representing 15,000 A Shares granted to a grantee were voluntarily waived. Subsequently on December 10, 2025, 950,000 A Shares underlying the reserved tranche of Restricted Shares granted were issued and registered. No further Restricted Shares are available for further grants under the Restricted Share Scheme.

Date of grant and duration of the scheme

The grant date of Restricted Shares shall be determined by the Board after approval of the Restricted Share Scheme by the Shareholders' meeting. The grant of the Restricted Shares is subject to the approval of the Board and shall be registered and announced within 60 days after approval of the Restricted Share Scheme at the Shareholders' meeting.

The validity period of the Restricted Share Scheme shall commence from the date of completion of the first tranche of the grant, issuance and registration of the Restricted Shares, and end on the date when all Restricted Shares granted under the scheme have either been fully unlocked or repurchased, with a maximum duration of 60 months.

REPORT OF THE BOARD OF DIRECTORS

Lock-up period and unlocking of Restricted Shares

The lock-up period for Restricted Shares shall commence from date of completion of registration of the Restricted Shares, and the period between the date of completion of registration and the date of unlocking of the Restricted Shares shall be 12 months, 24 months and 36 months. During the lock-up period, the Restricted Shares granted to the participants under the Restricted Share Scheme shall not be transferred, pledged or used for repayment of debts. The Restricted Shares shall not be unlocked unless all the conditions set out under the Restricted Share Scheme are fulfilled. The Restricted Shares will be unlocked in accordance with the unlocking schedule as set out under the Restricted Share Scheme as follows:

Unlocking arrangement	Period of the unlocking	Maximum proportion of Restricted Shares unlocked
First Unlocking Period	From the first trading day after 12 months to the last trading day within 24 months from the completion of registration of the relevant Restricted Shares.	30%
Second Unlocking Period	From the first trading day after 24 months to the last trading day within 36 months from the completion of registration of the relevant Restricted Shares.	30%
Third Unlocking Period	From the first trading day after 36 months to the last trading day within 48 months from the completion of registration of the relevant Restricted Shares.	40%

Any Restricted Share for which the application for unlocking has not been made within the specified period, or that cannot be unlocked due to failure to meet the unlocking conditions, shall be repurchased by the Company in accordance with the Restricted Share Scheme.

Conditions for the grant and unlocking of the Restricted Share

The Restricted Shares will only be granted to eligible participants if the following conditions are fulfilled:

(a) with respect to our Company, none of the following circumstances occur: (1) an audit report with a qualified opinion or an adverse opinion issued by a certified public accountant on the Company's financial accounting report for the most recent accounting year; (2) an audit report with a qualified opinion or an adverse opinion issued by a certified public accountant on the internal control over the Company's financial reporting for the most recent accounting year; (3) failure to distribute profits in accordance with laws, regulations, the Articles of Association, or public commitments within the most recent 36 months after the Company's A-Share Listing; (4) circumstances in which the implementation of equity incentives is prohibited by laws or regulations; or (5) any other circumstances determined by the CSRC; and

REPORT OF THE BOARD OF DIRECTORS

(b) with respect to a grantee, none of the following circumstances occur: (1) circumstances in which the participant has been regarded as an inappropriate person by the Shanghai Stock Exchange within the last 12 months; (2) circumstances in which the grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months; (3) circumstances in which the grantee has been administratively punished or prohibited from entering into the securities market by the CSRC or its local office due to material breach of laws and regulations within the last 12 months; (4) circumstances in which the grantee is not qualified to serve as a director or senior management according to the PRC Company Law; (5) circumstances in which the grantee is prohibited from participating in any share incentive scheme of listed companies according to laws and regulations; or (6) any other circumstances determined by the CSRC.

The Restricted Shares shall be unlocked pursuant to the following conditions:

(a) none of the following circumstances regarding the Company occur: (1) an audit report with a qualified opinion or an adverse opinion issued by a certified public accountant on the Company's financial accounting report for the most recent accounting year; (2) an audit report with a qualified opinion or an adverse opinion issued by a certified public accountant on the internal control over the Company's financial reporting for the most recent accounting year; (3) failure to distribute profits in accordance with laws, regulations, the Articles of Association, or public commitments within the most recent 36 months after the Company's A-Share Listing; (4) circumstances in which the implementation of equity incentives is prohibited by laws or regulations; or (5) any other circumstances determined by the CSRC;

(b) none of the following circumstances regarding the grantee occur: (1) circumstances in which the participant has been regarded as an inappropriate person by the Shanghai Stock Exchange within the last 12 months; (2) circumstances in which the grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months; (3) circumstances in which the grantee has been administratively punished or prohibited from entering into the securities market by the CSRC or its local office due to material breach of laws and regulations within the last 12 months; (4) circumstances in which the grantee is not qualified to serve as a director or senior management according to the PRC Company Law; (5) circumstances in which the grantee is prohibited from participating in any share incentive scheme of listed companies according to laws and regulations; or (6) any other circumstances determined by the CSRC; and

(c) performance assessment requirements: in accordance with the Restricted Share Scheme, the performance assessment requirements in relation to the unlocking of the Restricted Shares granted under the Restricted Share Scheme include three levels: (1) the company level, measured by the company-level unlocking coefficient with reference to the Company's annual financial performance; (2) the department level, measured by the achievement of departmental performance indicators in accordance with the annual performance indicators assigned by the Company to each department and/or the relevant agreements signed between the Company and the grantee in each department; and (3) the individual level, measured by the individual-level unlocking rate with reference to the annual assessment result of each grantee.

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Adjustment

Subject to the other terms and conditions contained in the Restricted Share Scheme, the number and/or grant price of Restricted Shares granted may be adjusted upon the occurrence of certain events. These events include, as the case may be, (a) capitalization of reserves, (b) distribution of stock dividends, (c) distribution of cash dividends, (d) share subdivision, and (e) share issuance or share consolidation.

Movements in Restricted Shares Granted

As of December 31, 2025, the Group granted 5,300,000 Restricted Shares to 349 grantees, none of which are our Directors, senior management members or other connected persons. A total of 5,235,000 underlying A Shares were issued and registered to 344 grantees, and no Shares remained outstanding under the Restricted Shares granted.

As all Restricted Shares granted under the Restricted Share Scheme have been issued and registered in full in December 2025. No consideration is paid for the grant of the Restricted Shares under the Restricted Share Scheme.

The following table sets forth the details of movements of the Restricted Shares granted to grantees under the Restricted Share Scheme throughout the Reporting Period.

Category of grantee	Date of grant	Lock-up arrangement (vesting period) and performance target	Grant price (RMB per Share)	Closing price before date of grant	Number of Restricted Shares as of January 1, 2025	Number of Restricted Shares granted during the Reporting Period	Number of unlocked (vested) Restricted Shares during the Reporting Period (2)	Number of Restricted Shares waived/ forfeited/ lapsed during the Reporting Period	Number of Restricted Shares canceled during the Reporting Period	Number of Restricted Shares locked (unvested) as of December 31, 2025
Employees	May 26, 2025	*Note 1*	19.34	37.52	–	4,335,000	0	100,000	0	4,235,000
	November 20, 2025	*Note 1*	19.34	40.15	–	965,000	0	15,000	0	950,000
Total					**–**	**5,300,000**	**0**	**115,000**	**0**	**5,185,000**

Notes:

(1) For the vesting period of such Restricted Shares, see "– Summary of Principal Terms – Lock-up period and unlocking of Restricted Shares" above.

(2) The A Shares underlying the Restricted Shares granted have been issued and registered in full but are subject to unlocking conditions. As the Restricted Shares remained locked (unvested), the weighted average closing price before vesting date is inapplicable.

REPORT OF THE BOARD OF DIRECTORS

Employee Stock Ownership Scheme

Summary of principal terms

The following is a summary of the principal terms of the Employee Stock Ownership Scheme which was adopted on May 26, 2025. Given the Employee Stock Ownership Scheme does not involve issue of new Shares by our Company, the terms of the Employee Stock Ownership Scheme are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules except for the disclosure requirement under Rule 17.12 of the Hong Kong Listing Rules.

Purpose

The purpose of the Employee Stock Ownership Scheme is to further improve the Company's long-term incentive mechanism, attract and retain outstanding talents, effectively align the interests of our Shareholders, the Company and employees, enhance corporate governance, strengthen employee cohesion and the Company's competitiveness, motivate employees' enthusiasm and creativity, and promote the Company's long-term, sustainable and healthy development.

Administration

The Employee Stock Ownership Scheme is subject to the approval of the Shareholders' meeting and is administered by a committee (the "**Management Committee**"), the members of which are elected by the participants of the Employee Stock Ownership Scheme. Currently, the Management Committee includes three members, namely LV Qiang, LIU Rong and ZHANG Lugang, each an employee of our Group. The Management Committee is responsible for overseeing the daily operation and management of the Employee Stock Ownership Scheme.

Eligible participants

The eligible participants of the Employee Stock Ownership Scheme include Directors, senior management, and core and key personnel of our Group who is important for the Company's overall performance and development in the medium and long term. The scope of participants excludes independent Directors.

Source and maximum number of Shares grantable

The A Shares for the Employee Stock Ownership Scheme will be sourced from the A Shares repurchased by the Company through its dedicated securities account for share repurchase. The maximum number of A Shares that can be granted under the Employee Stock Ownership Scheme is 7,500,000, representing 1.44% of the Company's the total issued share capital as of the date of this annual report. Among them, it is proposed that no more than 6,380,000 A Shares will be granted to no more than 29 grantees in the initial grant, accounting for approximately 1.22% of the Company's current total share capital as of the date of this annual report, while the remaining 1,120,000 A Shares will be reserved, accounting for approximately 0.21% of the Company's current total share capital as of the date of this annual report.

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Duration

The duration of the Employee Stock Ownership Scheme is 60 months, commencing from the date on which the Company announces the transfer of the last batch of underlying A Shares to the Employee Stock Ownership Scheme.

Lock-up period and unlocking of the A Shares granted

The lock-up period for the A Shares under the Employee Stock Ownership Scheme shall commence from date of announcing the transfer of the last batch of underlying A Share into the designated securities account of the Employee Stock Ownership Scheme. Each participants' entitlement to the corresponding portion of A Shares held by the Employee Stock Ownership Scheme, shall be unlocked in three tranches in the proportion of 30%, 30% and 40%, upon expiry of a period of 12 months, 24 months and 36 months from the date of announcing, respectively. The unlocking schedule shall be subject to attainment of corporate performance targets and personal evaluation of each participant.

Upon the expiry of the lock-up period, the A Shares shall be sold by the Management Committee or transfer the corresponding underlying A Shares to the participants' personal securities accounts.

Adjustment

Subject to the other terms and conditions contained in the Employee Stock Ownership Scheme, the number and/or grant price of A Shares under the Employee Stock Ownership Scheme may be adjusted upon the occurrence of certain events. These events include, as the case may be, (a) capitalization of reserves, (b) distribution of stock dividends, (c) distribution of cash dividends, (d) share subdivision, and (e) share issuance or share consolidation.

Movements in A Shares Granted

As of December 31, 2025, the aggregate number of A Shares granted under the Employee Stock Ownership Scheme was 6,270,000, representing approximately 1.22% of the Company's the total issued share capital as of the date of this annual report.

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The following table sets forth the details of movements of the A Shares granted to the grantees under the Employee Stock Ownership Scheme throughout the Reporting Period.

Category of the grantee	Name of the grantee	Grant Date	Lock-up arrangement (vesting period) and performance target	Grant price (RMB per Share)	Closing price (RMB) before date of grant	Number of Restricted Shares as of January 1, 2025	Number of A Shares granted during the Reporting Period	Number of A Shares unlocked (vested) during the Reporting Period [(2)]	Number of A Shares granted but waived/ forfeited/ lapsed during the Reporting Period	Number of A Shares granted but canceled during the Reporting Period	Number of A Shares granted but unvested as of December 31, 2025
Director	Ms. QIN Yanling (覃艷玲)	May 26, 2025	*Note 1*	21.32	38.02	–	35,000	0	0	0	35,000
Employee	N/A	May 26, 2025	*Note 1*	21.32	38.02	–	6,235,000	0	0	0	6,235,000
Total							**6,270,000**	**0**	**0**	**0**	**6,270,000**

Notes:

(1) For the vesting period for the A Shares granted under the Employee Stock Ownership Scheme, see "－Summary of principal terms – Lock-up period and unlocking of the A Shares granted" above.

(2) As the Restricted Shares remained locked (unvested), the weighted average closing price before vesting date is inapplicable.

DIRECTORS' BIOGRAPHICAL DETAILS AND CHANGES IN THE INFORMATION OF THE DIRECTORS

Details of Directors and are set out in "Profiles of Directors and Senior Management" of this annual report. Save as disclosed in that section, up to the date of this annual report, there were no changes to information which are required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules. Pursuant to Rule 13.51B of the Hong Kong Listing Rules, the changes in the information of the Directors during the Reporting Period and up to the date of this annual report are set out below:

(a) Mr. WANG Boliang (王伯良) resigned as a Director with effect from June 9, 2025 to focus on his management commitment as the Company's deputy general manager.

(b) Ms. QIN Yanling (覃艷玲) was appointed as an employee representative Director with effect from June 9, 2025.

(c) Ms. NIU Shuangxia (牛双霞) was appointed as an independent non-executive Director with effect from June 9, 2025.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

We have entered into a service agreement with each of the Directors, the principal terms of which include (a) each of the agreement is effective upon execution and of a term of no more than three years; and (b) each of the agreement is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, our Directors have not entered into or propose to enter into any service contracts with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

PERMITTED INDEMNITY PROVISION

During the Reporting Period, the Company has in force the permitted indemnity provisions (as defined in the Hong Kong Companies Ordinance) in relation to the directors' and officers' liability insurance.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Incentive Schemes" in this annual report, at no time during the year ended December 31, 2025 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

COMPETING INTERESTS

During the Reporting Period, none of the Directors and Controlling Shareholders had an interest in a business which causes or may cause any significant competition with the business of the Company and any other conflicts of interest which any such person has or may have with the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the Directors' contracts, none of the Directors or any entity connected with them had any material interest, either directly or indirectly, in any contract, transaction or arrangement of significance to the Company's business to which the Company, any of its holding companies, any of its subsidiaries, fellow subsidiaries was a party subsisted at the end of the year or at any time during the Reporting Period.

REPORT OF THE BOARD OF DIRECTORS

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the Director's service contract of each of Mr. DU Junhong and Mr. GE Zhengang service contract, no contract of significance was entered into or subsisted between the Company or any of its subsidiaries and a substantial Shareholder or any of its subsidiaries during the Reporting Period and no contract of significance for the provision of services to the Company or any of its subsidiaries by a substantial Shareholder or any of its subsidiaries was entered into or subsisted as of December 31, 2025.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules from each of the independent non-executive Directors and considers such Directors to be independent in accordance with Rule 3.13 of the Hong Kong Listing Rules.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the executive Directors and five highest paid individuals are set out in notes 8 and 9 to the financial statements in this annual report.

During the Reporting Period, no remuneration was paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any remuneration for the year ended December 31, 2025.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2025, by the Group to or on behalf of any of the Directors.

REPORT OF THE BOARD OF DIRECTORS

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2025, the Group had 18,655 employees (as of December 31, 2024: 13,240), approximately 31.64% of which are female. The Group has developed a remuneration and welfare management system that provides employees with competitive remuneration and five types of social insurances and housing provident funds for employees in strict compliance with the relevant laws and regulations, and provides additional comprehensive benefit insurance.

The number of employees employed by the Group varies from time to time. The remuneration package of our employees includes salary, bonus, and incentive shares (if any) under the Company's incentive schemes, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations. The total employee benefit expenses including share-based payment expense (including directors', chief executive's and supervisors' remuneration) incurred by the Group for the year ended December 31, 2025 was approximately RMB3,635 million (2024: RMB2,739 million).

During the year ended December 31, 2024, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

The Remuneration and Assessment Committee was set up for reviewing the Company's emolument policy and any long-term incentive schemes, and structure for all remuneration of the Directors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

PENSION SCHEME

The employees of the Group's subsidiaries in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Employee benefits to all eligible employees of the overseas subsidiaries are made in accordance with the rules set forth in the collective labor agreement, and recorded as an expense in the period they are due as a charge to the statement of profit or loss.

Details of the pension scheme of the Group are set out in note 2.4 to the consolidated financial statements. During the Reporting Period, there were no forfeited contribution under the Group's pension scheme, and no forfeited contribution (if allowed under applicable laws) were used by the Company to reduce the existing level of contribution.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As H Shares had not been listed on the Stock Exchange as of 31 December 2025, the SFO and Model Code were not applicable during the Reporting Period. As at the Listing Date, the interests of our Directors and chief executive of our Company in the Shares of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Interests of the Directors and Chief Executive in the Shares and underlying Shares of Our Company

Name	Nature of interest	Description of Shares	Number of Shares	Approximate percentage of interest in our Company(1)
Mr. DU Junhong	Interest in controlled Corporation (2) (3)	A Shares	141,638,563	27.10%
	Interest of a party to an agreement (4)	A Shares	37,415,450	7.16%
	Other (5)	A Shares	4,179,808	0.80%
	Interest in treasury Shares (6)	A Shares	1,229,937	0.24%
Mr. GE Zhengang	Beneficial owner (3)	A Shares	21,443,635	4.10%
	Interest in controlled corporation (2) (7)	A Shares	111,765,359	21.39%
	Interest of a party to an agreement (4)	A Shares	45,845,019	8.77%
	Other (5)	A Shares	699,502	0.13%
	Interest in treasury Shares (6)	A Shares	1,229,937	0.24%
Mr. GUAN Yadong	Interest in controlled corporation (8)	A Shares	15,313,976	2.93%
	Other (5)	A Shares	9,102,015	1.74%
Ms. QIN Yanling	Interest in controlled corporation (9)	A Shares	3,120,095	0.60%
	Other (5)	A Shares	943,956	0.18%

Notes:

(1) Representing long positions.

(2) As of the Listing Date, Kunshan Longcheer was managed by its general partner, Shanghai Xinhe, which in turn was controlled by Mr. Du as to 51.00% and Mr. Ge as to 49.00%. Save for Mr. Du who also held 52.95% of the partnership interest in Kunshan Longcheer, none of the limited partners held over one third of the partnership interest in Kunshan Longcheer. Therefore, each of Mr. Du, Mr. Ge and Shanghai Xinhe is deemed to be interested in the 95,793,544 Shares held by Kunshan Longcheer under the SFO.

REPORT OF THE BOARD OF DIRECTORS

(3) As of the Listing Date, Mr. Du was the general partner of Chengmai Qihe. Therefore, Mr. Du is deemed to be interested in the 45,845,019 Shares held by Chengmai Qihe under the SFO.

(4) As of the Listing Date, pursuant to a concert party agreement dated November 1, 2021, Mr. Du and Mr. Ge agreed to act in concert by aligning the voting rights controlled by them at the Shareholders' meetings of the Company. Therefore, they are deemed to be jointly interested in the aggregate number of Shares held by each other under the SFO.

(5) Representing the relevant A Shares held by the respective Directors through the employee shareholding platforms.

(6) As of the Listing Date, there were 1,229,937 A Shares repurchased and held in our Company's stock repurchase account. Our Controlling Shareholders who control more than one-third of the voting power at the general meetings of our Company would be taken to have an interest in such repurchased A Shares held by our Company.

(7) As of the Listing Date, Mr. Ge was the executive general partner of Kunshan Qiyun. Save for Mr. Ge, none of the other partners held over one third of the partnership interest in Kunshan Qiyun. Therefore, Mr. Ge is also deemed to be interested in the 15,971,815 Shares held by Kunshan Qiyun under the SFO.

(8) As of the Listing Date, Mr. GUAN Yadong was the general partner of each of Chengmai Yongcan Enterprise Management Partnership (Limited Partnership) (澄邁永燦企業管理合夥企業(有限合夥)) ("**Chengmai Yongcan**") and Shanghai Qijing Enterprise management Partnership (Limited Partnership) (上海旗境企業管理合夥企業(有限合夥)), previously known as Ningbo Meishan Bonded Port Qihong Enterprise Management Center (Limited Partnership) (寧波梅山保稅港區旗弘企業管理合夥企業(有限合夥)) ("**Shanghai Qijing**"). Save for Mr. GUAN Yadong, none of the limited partners held over one third of the partnership interest in Chengmai Yongcan and Shanghai Qijing. Therefore, Mr. GUAN Yadong is deemed to be interested in the 8,738,167 and 6,575,809 A Shares held by Chengmai Yongcan and Shanghai Qijing under the SFO.

(9) As of the Listing Date, Ms. QIN Yanling was the general partners of Shanghai Qili Enterprise Management Partnership (Limited Partnership) (上海旗勵企業管理合夥企業(有限合夥)), previously known as Kunshan Qizhuang Investment Management Center (Limited Partnership) (昆山旗壯投資管理中心(有限合夥)) ("**Shanghai Qili**"). Therefore, Ms. QIN Yanling is deemed to be interested in the 3,120,095 A Shares held by Shanghai Qili.

Save as disclosed above, to the best knowledge of the Directors, as of the Listing Date, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As H Shares had not been listed on the Stock Exchange as of 31 December 2025, the SFO and Model Code were not applicable during the Reporting Period. As at the Listing Date, and as far as the Company is aware, the following persons are expected to have an interest and/or short positions in our Shares or underlying Shares of our Company which would be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of substantial Shareholder	Nature of interest	Description of Shares	Number of Shares	Approximate % of shareholding in our total issued share capital as of December 31, 2025	Approximate % of shareholding in our A Shares	Approximate percentage of interest in the total issued share capital
Mr. Du	Interest in controlled Corporation (1) (2)	A Shares	141,638,563	30.11%	30.11%	27.10%
	Interest of a party to an agreement (3)	A Shares	37,415,450	7.96%	7.96%	7.16%
	Interest in treasury Shares (4)	A Shares	1,229,937	0.26%	0.26%	0.24%
Shanghai Xinhe	Interest in controlled corporation (1)	A Shares	95,793,544	20.37%	20.37%	18.33%
Kunshan Longcheer	Beneficial owner (1)	A Shares	95,793,544	20.37%	20.37%	18.33%
Chengmai Qihe	Beneficial owner (2)	A Shares	45,845,019	9.75%	9.75%	8.77%
Mr. Ge	Beneficial owner	A Shares	21,443,635	4.56%	4.56%	4.10%
	Interest in controlled corporation (1) (5)	A Shares	111,765,359	23.76%	23.76%	21.39%
	Interest of a party to an agreement (3)	A Shares	45,845,019	9.75%	9.75%	8.77%
	Interest in treasury Shares (4)	A Shares	1,229,937	0.26%	0.26%	0.24%

Notes:

(1) As of the Listing Date, Kunshan Longcheer was managed by its general partner, Shanghai Xinhe, which in turn was controlled by Mr. Du as to 51.00% and Mr. Ge as to 49.00%. Save for Mr. Du who also held 52.95% of the partnership interest in Kunshan Longcheer, none of the limited partners held over one third of the partnership interest in Kunshan Longcheer. Therefore, each of Mr. Du, Mr. Ge and Shanghai Xinhe is deemed to be interested in the 95,793,544 Shares held by Kunshan Longcheer under the SFO.

(2) As of the Listing Date, Mr. Du was the general partner of Chengmai Qihe. Therefore, Mr. Du is deemed to be interested in the 45,845,019 Shares held by Chengmai Qihe under the SFO.

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(3) As of the Listing Date, pursuant to a concert party agreement dated November 1, 2021, Mr. Du and Mr. Ge agreed to act in concert by aligning the voting rights controlled by them at the Shareholders' meetings of the Company. Therefore, they are deemed to be jointly interested in the aggregate number of Shares held by each other under the SFO.

(4) As of the Listing Date, there were 1,229,937 A Shares repurchased and held in our Company's stock repurchase account. Our Controlling Shareholders who control more than one-third of the voting power at the general meetings of our Company would be taken to have an interest in such repurchased A Shares held by our Company.

(5) As of the Listing Date, Mr. Ge was the executive general partner of Kunshan Qiyun. Save for Mr. Ge, none of the other partners held over one third of the partnership interest in Kunshan Qiyun. Therefore, Mr. Ge is also deemed to be interested in the 15,971,815 Shares held by Kunshan Qiyun under the SFO.

Except as disclosed above, as of the Listing Date, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have any interests and/or short positions in the Shares or underlying Shares of our Company which would fall 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, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

USE OF NET PROCEEDS FROM THE ISSUANCE OF SECURITIES

Use of H Share IPO Proceeds

The net proceeds from the Global Offering (after deducting the underwriting fees and related listing expenses) (the "**H Share Proceeds**") amounted to approximately HK$1,520.7 million.

The Global Offering was completed on January 22, 2026. The H Share Proceeds have since the Listing Date and up to the date of this annual report been and will be utilized in accordance with the intended purposes.

Use of A Share IPO Proceeds

The A Shares of the Company were listed on the Main Board of Shanghai Stock Exchange on March 1, 2024. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the A Share Offering of approximately RMB1,440.7 million (the "**A Share Proceeds**").

As the actual net amount of the A Share Proceeds was lower than the originally planned amount, the Board resolved on March 14, 2024 to adjust the amount of A Share IPO Proceeds to be invested in each fund-raising project to ensure the smooth implementation of the fund-raising investment projects and maximize the efficiency of fund utilization.

As of the date of this annual report, the principal amount of the A Share IPO Proceeds have been fully utilized, and the Company has completed the cancellation of the relevant fund-raising special accounts in compliance with applicable regulations.

REPORT OF THE BOARD OF DIRECTORS

The table below sets out the planned applications of the A Share IPO Proceeds and actual usage up to December 31, 2025:

Intended uses of A Share IPO Proceeds	Planned applications of A Share IPO Proceeds (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to December 31, 2025(Note) (RMB million)	Unutilized net proceeds as of December 31, 2025 (RMB million)	Expected time of full utilization of remaining balance
Huizhou Intelligent Hardware Manufacturing Project	640.0	163.7	628.2	11.8	January 2026
Nanchang Intelligent Hardware Center Reconstruction and Expansion Project	320.0	138.3	323.4	(3.4)	N/A
Shanghai R&D Center Upgrade and Construction Project	160.0	–	160.4	(0.4)	N/A
Supplementary working capital	320.7	–	322.5	(1.8)	N/A
Total	**1,440.7**	**302.0**	**1,434.5**	**6.2**	

Note: The actual usage up to December 31, 2025 exceeded the planned amount, mainly due to interest received on idle proceeds and gains on wealth management products purchased by using the idle proceeds.

The expected timeline for utilizing the remaining proceeds from each of the Listing of H Shares and A Share Offering is set on the basis of the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change. Based on our estimates, we currently intend to apply the unutilized net proceeds in accordance with the plans set out in the above tables.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not hold any investment (including any investment in an investee company) which on a standalone basis carried a value of 5% or more of our total assets as of December 31, 2025. Our Company did not make any material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

REPORT OF THE BOARD OF DIRECTORS

INVESTMENT POLICY

The Company adopted the *Administrative Measures for External Investments* to regulate its external investment activities in compliance with applicable PRC laws, the Hong Kong Listing Rules, and the Articles of Association.

External investments of the Company may include equity investments, acquisitions and disposals of assets, establishment of subsidiaries or joint ventures, securities and fund investments, entrusted wealth management, and other permitted investment activities.

Investment decisions are subject to a tiered approval mechanism based on transaction size. Significant investments are subject to audit or valuation requirements where applicable. The Board and relevant committees shall oversee the investment strategy and risk management. The Company shall also ensure compliance with applicable disclosure obligations under the Hong Kong Listing Rules in respect of the investment activities.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

H Share Repurchase

The H Shares of the Company were listed on the Hong Kong Stock Exchange on January 22, 2026. Therefore, no H Shares were repurchased during the Reporting Period. Since the Listing Date and up to the date of this annual report, the Company did no repurchase any H Shares.

A Share Repurchase

Pursuant to the A Share repurchase plan approved by the Board of Directors of the Company on 8 April 2025, the Company repurchases its A Shares through centralized competitive bidding on the Shanghai Stock Exchange using self-owned funds (the "**A Share Repurchase**"). The repurchased A Shares are intended to be used for the implementation of the employee stock ownership scheme or share incentive schemes of the Group.

The A Share Repurchase shall be conducted within a term from April 8, 2025 to April 7, 2026, with an aggregate repurchase amount of not less than RMB250 million and not more than RMB500 million, and a maximum repurchase price of RMB50.00 per A Share (inclusive). Such repurchase is fully financed with the Company's self-owned funds, and the Company has strictly complied with the stipulated maximum repurchase price as set out in the repurchase plan.

During the Reporting Period, the Company implemented the A Share Repurchase in accordance with the applicable laws, regulations and repurchase plan. As of December 31, 2025, the Company had cumulatively repurchased 7,499,937 A Shares, representing approximately 1.59% of the Company's total issued share capital as of the same date, through centralized competitive bidding on the Shanghai Stock Exchange. The repurchase prices ranged from a minimum of RMB37.55 to a maximum of RMB42.49 per A Share, with an aggregate fund utilization of approximately RMB299.82 million (excluding transaction commissions and relevant fees).

REPORT OF THE BOARD OF DIRECTORS

Details of the A Share repurchase during the Reporting Period are as follows:

Month	Number of A Shares repurchased	Highest price per A Share (RMB)	Lowest price per A Share (RMB)	Aggregate consideration (RMB)
April 2025	5,607,208	41.21	37.55	220,722,804.60
May 2025	1,892,729	42.49	40.73	79,096,946.45
Total	**7,499,937**			**299,819,751.05**

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details on related party transactions of the Group for the Reporting Period are set out in Note 38 to the consolidated financial statements. None of the related party transactions constitute a connected transaction or continuing connected transaction which is subject to the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Hong Kong Listing Rules. Since the Listing Date and up to the date of this annual report, there was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Hong Kong Listing Rules during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities. If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, he or she is advised to consult an expert.

REPORT OF THE BOARD OF DIRECTORS

TAXATION

A Shareholders

According to the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85) (《財政部、國家稅務總局、證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85 號)) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101 號)), for the relevant individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements above.

According to Article 26.2 of the PRC Enterprise Income Tax Law, dividends, bonuses, and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of the PRC Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the PRC Enterprise Income Tax Law include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the PRC Enterprise Income Tax Law and its implementation rules, dividend income obtained by non-resident enterprises, which do not have organs or establishments in China or though having organs or establishments in China but income is not related to such organs or establishments, dividend income obtained by shareholders shall be levied at a preferential enterprise income tax rate of 10%.

H Shareholders

Pursuant to the Circular of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局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稅有關問題的通知》(國稅函[2008]897號)), the Company is required to withhold and pay enterprise income tax at a rate of 10% on behalf of shareholders of non-resident enterprises whose names appear on the register of shareholders of H shares of the Company when distributing dividends to them.

According to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 20) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation, dividends and bonus income received by foreign individuals from foreign-invested enterprises are exempted from individual income tax for the time being.

Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling the Company's Shares.

REPORT OF THE BOARD OF DIRECTORS

EQUITY-LINKED AGREEMENTS

During the Reporting Period, save as disclosed in the section headed "Share Incentive Schemes" in this annual report and note 31 to the financial statements, the Company had not entered into any equity-linked agreement.

CONVERTIBLE BONDS

During the Reporting Period, the Group did not issue any convertible bonds.

LOANS AND GUARANTEES

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors and senior management of the Company, the controlling Shareholders, or their respective connected persons.

ON-GOING DISCLOSURE RESPONSIBILITIES UNDER THE HONG KONG LISTING RULES

Save as disclosed in this annual report, the Company has no other disclosure responsibilities under rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Company donated a total of RMB1.0 million.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND MODEL CODE

Information on the corporate governance practices adopted by the Company and Company's compliance with the Model Code is set out in the section headed "Corporate Governance Report" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company has complied with the relevant laws and regulations that have a significant impact on the Company. None of the Group, Directors and senior management of the Company had been subject to any investigation or administrative penalty by the CSRC, banned from access to the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial authorities or held criminally responsible, nor were they involved in any other litigation, arbitration or administrative proceedings that would have a material adverse effect on our business, financial condition or results of operations.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held in due course. A notice convening the AGM and setting out the arrangements in relation to the closure of register of members will be published and dispatched to the Shareholders in due course in accordance with the requirements of the Hong Kong Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

As of the date of this annual report, the Audit Committee consists of three independent non-executive Directors being Mr. YANG Chuan (chairperson), Dr. SHEN Jianxin and Dr. NIU Shuangxia. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process. The Audit Committee has reviewed together with the management and external auditors of the Company, the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the Reporting Period.

AUDITORS

The H Shares were listed on the Hong Kong Stock Exchange on January 22, 2026. Ernst & Young, Certified Public Accountants, was appointed by the Company as its H-Share auditor for the Company's H-Share listing, and was further appointed as the H-Share auditor for the Reporting Period at the first extraordinary general meeting of the Company held on March 4, 2026.

The consolidated financial statements for the year ended December 31, 2025 have been audited by Ernst & Young, who will retire at the conclusion of the AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the H-Share auditor of the Company will be proposed at the AGM.

By Order of the Board
Shanghai Longcheer Technology Co., Ltd.
Mr. DU Junhong
Chairman and Executive Director

Hong Kong,
March 30, 2026

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report in this annual report for the year ended December 31, 2025.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the CG Code contained in Appendix C1 to the Hong Kong Listing Rules as its own code of corporate governance.

As the Company's shares were not listed on The Stock Exchange of Hong Kong Limited as of December 31, 2025, the CG Code were not applicable to the Company during the year ended December 31, 2025 but has applied to the Company since the Listing Date.

In the opinion of the Board, the Company has compiled with all applicable code provisions under the CG Code during the period from the Listing Date to the date of this annual report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules to regulate all dealings by Directors, and relevant employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities.

Specific enquiry has been made of all the Directors, and all the Directors have confirmed that they have complied with the Model Code since the Listing Date.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Company's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

As of the date of the report, the Board comprised seven Directors, consisting of four executive Directors, and three independent non-executive Directors as follows:

Executive Directors

Mr. DU Junhong (杜軍紅) *(Chairman of the Board)*
Mr. GE Zhengang (葛振綱) *(General manager)*
Mr. GUAN Yadong (關亞東)
Ms. QIN Yanling (覃艷玲)

Independent Non-executive Directors

Dr. SHEN Jianxin (沈建新)
Mr. YANG Chuan (楊川)
Dr. NIU Shuangxia (牛双霞)

The biographical information of the Directors is set out in the section headed "PROFILES OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

From the Listing Date to the date of this annual report, the Board at all times fulfilled the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has entered into a service agreement with each of the Directors. The principal particulars of these service agreements are: (a) each of the agreement is effective upon execution and of a term of no more than three years; and (b) each of the agreement is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, the Directors have not entered into or propose to enter into any service contracts with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Pursuant to the Hong Kong Listing Rules, every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three (3) years. Directors shall be elected or replaced by the shareholders' meeting, with a term of three years. The shareholders' meeting may remove any director whose term of office has not expired by an ordinary resolution. A director may serve consecutive terms if re-elected, except as otherwise provided in relevant laws and regulations, laws and regulations of the place where the shares of the Company are listed and the Hong Kong Listing Rules and the Articles of Association. Company has entered into a service contract with each of our executive Directors for an initial fixed term of three (3) years commencing from the date of approval by the Shareholders until the expiration of the term of office of the Board session. Each of the independent non-executive Directors has entered into a service contract with the Company for an initial fixed term of three (3) years commencing from the Listing Date or date of appointment until the expiration of the term of office of the Board session.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-appointment of Directors and succession plans for the Directors.

CORPORATE VISION AND STRATEGY

We have consistently upheld our core values of" customer centric, inspiring dedication, and long-term driven."

We are a leading global provider of smart devices and services, offering solutions — including product research, design, manufacturing, and support — for renowned smart device brands and leading technology companies worldwide.

CORPORATE GOVERNANCE REPORT

OUR STRATEGIES

We aim to further grow our business by pursuing the following strategies:

(i) continuing to expand the" 1 + 2 + X" product portfolio and penetrate high potential segments;

(ii) expanding product categories for and deepening collaborations with our customers;

(iii) strengthening R&D and product innovation with AI as the core innovation engine;

(iv) integrating our domestic and international operations to drive unparalleled synergies; and

(v) strategic investments and acquisitions to expand the breadth of our business.

ANTI-CORRUPTION, ANTI-BRIBERY AND WHISTLEBLOWING MECHANISM

The Company have established a dedicated anti-corruption governance structure to ensure full oversight and effective implementation. Our audit and supervision department, reporting directly to the Audit Committee, is responsible for preventive audits, fraud investigations, project reviews, and exit audits. This function is supported by our process and IT systems teams, enabling systematic enforcement of anti-corruption measures. Internal regulations, such as the Employee Code of Commercial Conduct (《龍旗員工商業行為準則》) and Gift Management Policy (《禮品管理制度》), establish clear expectations for ethical behavior. Violations are met with firm disciplinary actions, including termination, legal consequences, or blacklisting under the Sunshine Integrity Alliance, reinforcing our zero-tolerance stance on corruption and bribery.

The Company provides anti-corruption and anti-bribery compliance training for senior management and employees, including compliance training and other ad hoc compliance training sessions, to enhance their knowledge and compliance with anti-corruption and anti-bribery activities in geographies and market segments relevant to the operation of business.

The Company establishes whistle-blowing mechanisms and encouraging all employees, suppliers, customers and other third parties to report suspicious activities, violations of the policies and raise their concerns with the Audit Committee about any possible improprieties. From the Listing Date to the date of this annual report, Company had complied with relevant anti-corruption and anti-bribery laws in all material aspects. There was no material issue about our internal control policies and measures have been identified up to the date of this annual report and the Board believes that our internal control policies and measures in relation to anti-corruption and anti-bribery compliance are adequate and effective.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The Board, being the primary decision-making body of the Company, assumes responsibility for leadership and control of the Company. The Board sets fundamental business strategies and policies for the management and operation of the Company's business and monitors their implementation.

The Board directly, and indirectly through the Board Committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Company's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including executive Directors, and independent non-executive Directors, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and bring independent judgment to the decision-making process of our Board. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve a conflict of interests), financial information, the appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to management team. Such arrangement will be reviewed periodically to ensure they remain appropriate to the Company's needs.

To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information when required. The Directors can also seek independent professional advice in appropriate circumstances, at the Company's expense, in discharging their duties to the Company. All Directors have unrestricted access to joint company secretaries who are responsible for ensuring that the Board/committee procedures are complied with, and for advising the Board/committee(s) on compliance matters.

The Company has arranged appropriate insurance coverage on Directors' and senior management's liabilities in respect of any legal actions taken against Directors and senior management arising from the Company activities. The insurance coverage would be reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules on June 20, 2025 and (ii) understands his or her obligations as a director of a listed issuer under the Hong Kong Listing Rules.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. During the year ended December 31, 2025 and prior to the Listing, all Directors have participated in continuous professional development by attending training course or external seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board.

The training received by the Directors for the year ended December 31, 2025 and up to date of this annual report is summarized below:

Directors	Attending Training	Reading Materials
Executive Directors		
Mr. DU Junhong (杜軍紅)	✓	✓
Mr. GE Zhengang (葛振綱)	✓	✓
Mr. GUAN Yadong (關亞東)	✓	✓
Ms. QIN Yanling (覃艷玲)	✓	✓
Independent Non-Executive Directors		
Dr. SHEN Jianxin (沈建新)	✓	✓
Mr. YANG Chuan (楊川)	✓	✓
Dr. NIU Shuangxia (牛双霞)	✓	✓

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and see increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will consider a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. In particular, our Company currently has two female Directors in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have three independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board diversity policy. Pursuant to the board diversity policy, after the Listing, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. The ultimate selection of Board candidates will be based on merit and potential contribution to our Board having due regard to the benefits of diversity on the Board and also the specific needs of the Company without focusing on a single diversity aspect.

With regards to gender diversity on the Board, two of our seven Directors are female, and we recognize the particular importance of gender diversity. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at our Board and senior management levels. We will maintain the current gender ratio at the Board level going forward. We will maintain a focus on gender diversity when recruiting staff at the mid to senior level so as to develop a pipeline of potential female successors to our Board.

The Company will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically to maintain gender diversity of our Board. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. Furthermore, the Board has a diverse age representation ranging from 45 years old to 57 years old.

Pursuant to the Board Diversity Policy, the Nomination Committee will from time to time discuss and agree on expected goals to ensure board diversity, and review and, where necessary, update the board diversity policy to ensure that the policy remains effective.

CORPORATE GOVERNANCE REPORT

As of the Latest Practicable Date, the female-to-male ratio in the Company's workforce, including Directors', and senior management, was approximately 32:68. The Company recognizes the importance and benefit of having different genders in the working environment, and shall further strengthen the Company's gender diversity in the workplace in the future where possible.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

NOMINATION POLICY

The Nomination Committee of the Company is primarily responsible for selection of candidates for directors and senior management of the Company, and setting up criteria and procedures for selection and making recommendation. The Company has adopted a director nomination policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

Selection procedures of directors and senior management shall be as follows:

(i) the Nomination Committee shall actively communicate with the relevant departments of the Company, and study the Company's demand for new directors and senior management;

(ii) the Nomination Committee may extensively identify candidates for directors and senior management within the Company and holding (shareholding) enterprises and in the talent market;

(iii) to collect information such as the occupation, educational background, professional titles, detailed work experience, and all part-time jobs of the primary candidates, and prepare written materials;

(iv) to seek the consent of the nominees to the nomination, otherwise, they shall not be considered as candidates for director or senior management;

(v) to convene a meeting of the Nomination Committee to review the qualifications of the primary candidates according to the eligibility requirements of the directors and senior management;

(vi) to submit recommendations and relevant materials to the Board on candidates for directors and proposed senior management appointments prior to the election of new directors and the appointment of new senior management;

(vii) to carry out other follow-up works according to the decisions and feedback of the Board.

CORPORATE GOVERNANCE REPORT

BOARD INDEPENDENCE EVALUATION

The Company has implemented a board independence evaluation mechanism (the "**Mechanism**") from the Listing Date to the date of this annual report which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Mechanism, the Board will conduct annual review on its independence. The board independence evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended for December 31, 2025 the Board reviewed the implementation and effectiveness of the Mechanism and the results were satisfactory.

BOARD MEETING

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of regular Board meeting shall be served to all Directors in writing fourteen (14) days prior to the convening of the meeting (excluding the date of the meeting). An agenda and accompanying board papers would be sent, in full, to all directors at least three (3) days (or other agreed period) before the intended date of a board or board committee meeting. To convene an extraordinary meeting of the Board, the Board shall notify in writing all directors five (5) days prior to the meeting. The Board shall make arrangements to ensure that all Directors are given an opportunity to put matters for discussion on the agenda of regular meetings of the Board. The Board shall keep minutes of resolutions passed at board meetings for a period of not less than ten years. The minutes shall be signed by the Directors present at the meeting. The Directors shall be responsible for the resolutions of the Board, and the Shareholders have the right to inspect the Board resolution.

CORPORATE GOVERNANCE REPORT

For the year ended December 31, 2025, the record of the Directors attending the Board meetings and general meetings, during their each respective office term, are as follows:

Name of Director	Position	Attendance/ Number of Board Meetings(1)	Attendance/Number of Shareholders' General Meetings(2)
Mr. DU Junhong (杜軍紅)	Executive Director	14/14	7/7
Mr. GE Zhengang (葛振綱)	Executive Director	14/14	7/7
Mr. GUAN Yadong (關亞東)	Executive Director	14/14	7/7
Ms. QIN Yanling(3) (覃艷玲)	Executive Director	6/6	7/7
Dr. SHEN Jianxin (沈建新)	Independent Non-Executive Director	14/14	7/7
Mr. YANG Chuan (楊川)	Independent Non-Executive Director	14/14	7/7
Dr. NIU Shuangxia(4) (牛双霞)	Independent Non-Executive Director	6/6	2/2
Mr. LIU De(5) (劉德)	Executive Director	1/1	1/1
Mr. WANG Cunfu(5) (汪存富)	Executive Director	1/1	1/1
Mr. WANG Boliang(6) (王伯良)	Executive Director	8/8	5/5
Mr. KANG Zhijun(6) (康至軍)	Independent Non-Executive Director	8/8	5/5

Notes:

(1) 14 board meetings were held during the Reporting Period.

(2) 7 shareholders' general meeting were held during the Reporting Period.

(3) From May 2015 to June 2025, Ms. QIN Yanling served as a supervisor of our Company, and was appointed as Director with effect from June 9, 2025.

(4) Dr. NIU Shuangxia was appointed as Directors with effect from June 9, 2025. Since their appointments and up to December 31, 2025, 6 board meetings and 2 shareholders' general meetings of the Company were held.

(5) Mr. LIU De and Mr. WANG Cunfu resigned as Executive Directors with effect from February 17, 2025.

(6) Mr. WANG Boliang resigned as Executive Director and Mr. KANG Zhijun resigned as Independent Non-Executive Director with effect from June 9, 2025.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy and ESG Committee, which are responsible for specific affairs of the Company respectively, and providing consultation or recommendations in relation to decision-making of the Board.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and HKEX's website and are available to Shareholders.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial information disclosure, internal and external audit work and internal control system of our Group; and provide advice and comments to our Board. The Audit Committee comprises three independent non-executive Directors, namely, Mr. YANG Chuan, Dr. SHEN Jianxin and Dr. NIU Shuangxia. Mr. YANG Chuan is the chairperson of the Audit Committee. He holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

For the year ended December 31, 2025, the record of the Directors attending the Audit Committee meetings, during their each respective office term, are as follows:

Name of Directors	Actual attendance/ Required attendance(1)
Mr. YANG Chuan (楊川)	6/6
Dr. SHEN Jianxin (沈建新)	3/3(2)
Dr. NIU Shuangxia(3) (牛双霞)	3/3

Notes:

(1) 6 audit committee meetings were held during the Reporting Period.

(2) Dr. SHEN Jianxin was appointed as member of the Audit Committee with effect from May 21, 2025. Since her appointment and up to December 31, 2025, 3 audit committee meetings were held.

(3) Dr. NIU Shuangxia was appointed as Directors with effect from June 9, 2025. Since her appointment and up to December 31, 2025, 3 audit committee meetings were held.

CORPORATE GOVERNANCE REPORT

Remuneration and Assessment Committee

We have established a Remuneration and Assessment Committee in compliance with Rule 3.25 of the Hong Kong Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules. The primary duties of the Remuneration and Assessment Committee are to review and make recommendations to our Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration and Assessment Committee comprises three independent non-executive Directors, namely, Dr. NIU Shuangxia, Mr. YANG Chuan and Dr. SHEN Jianxin. Dr. NIU Shuangxia is the chairperson of the Remuneration and Assessment Committee.

For the year ended December 31, 2025, the record of the Directors attending the Remuneration and Assessment Committee meetings, during their each respective office term, are as follows:

Name of Directors	Actual attendance/ Required attendance[1]
Dr. NIU Shuangxia[2] (牛双霞)	2/2
Mr. YANG Chuan (楊川)	7/7
Dr. SHEN Jianxin (沈建新)	7/7

Notes:

(1) 7 remuneration and assessment committee meetings were held during the Reporting Period.

(2) Dr. NIU Shuangxia was appointed as Directors with effect from June 9, 2025. Since her appointment and up to December 31, 2025, 2 remuneration and assessment committee meetings were held.

Details of the remuneration of the senior management by band for the year ended December 31, 2025 are set out below:

Remuneration band (RMB)	Number of person(s)
Nil to 1,000,000	1
1,000,001 to 2,000,000	3
2,000,001 to 3,000,000	3

CORPORATE GOVERNANCE REPORT

Nomination Committee

We have established a Nomination Committee in compliance with Rule 3.27A of the Hong Kong Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules. The primary duties of the Nomination Committee are to assess the candidates and review selection criteria and procedures for Directors and senior management, and to make recommendations to our Board. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely, Dr. SHEN Jianxin, Mr. DU Junhong and Dr. NIU Shuangxia. Dr. SHEN Jianxin is the chairperson of the Nomination Committee. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and the Director Nomination Policy and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The Nomination Committee shall expand and discuss on measurable objectives for achieving diversity on the Board every year, monitor the progress of achieving such measurable objectives, and recommend them to the Board for adoption to ensure the continuous effectiveness of the diversity policy and the Board.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's gender, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

For the year ended December 31, 2025, the record of the Directors attending the Nomination Committee meetings, during their each respective office term, are as follows:

Name of Directors	Actual attendance/ Required attendance[1]
Dr. SHEN Jianxin (沈建新)	4/4
Mr. DU Junhong (杜軍紅)	4/4
Dr. NIU Shuangxia[2] (牛双霞)	0/0

Notes:

(1) 4 nomination committee meetings were held during the Reporting Period.

(2) Dr. NIU Shuangxia was appointed as Directors with effect from June 9, 2025. Since her appointment and up to December 31, 2025, no nomination committee meeting was held.

CORPORATE GOVERNANCE REPORT

Strategy and ESG Committee

We have established a Strategy and ESG Committee under the Board. The primary duties of the Strategy and ESG Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company, and to review our sustainable development and ESG strategy and goals, our ESG related reports. The Strategy and ESG Committee comprises two executive Directors and one independent non-executive Director, namely, Mr. DU Junhong, Mr. GE Zhengang and Dr. SHEN Jianxin. Mr. DU Junhong is the chairperson of the Strategy and ESG Committee.

For the year ended December 31, 2025, the record of the Directors attending the Strategy and ESG committee meetings, during their each respective office term, are as follows:

Name of Directors	Actual attendance/ Required attendance[1]
Mr. DU Junhong (杜軍紅)	2/2
Mr. GE Zhengang (葛振綱)	2/2
Dr. SHEN Jianxin (沈建新)	2/2

Notes:

(1) 2 Strategy and ESG committee meetings were held during the Reporting Period.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the Reporting period, the Board held a total of 14 Board meetings. From the Listing Date to the date of this annual report, the Board met twice to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this corporate governance report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting, and general compliance.

Risk Management

Effective risk management is essential to our sustainable and stable development. We have established a comprehensive, multi-layered risk control framework that integrates internal controls into all aspects of our operations. This framework is designed around a three lines of defense model to ensure thorough and effective risk identification, analysis, and response across the enterprise.

- The first line of defense is composed of business management teams and process owners, who are responsible for resolving the vast majority of day-to-day operational issues and for ensuring strict adherence to processes and accountability at the operational level.

- The second line of defense includes the internal control department and the process management department, which oversee cross-functional and high-risk matters, promote risk management methodologies, and empower business units with tools and knowledge for risk mitigation.

- The third line of defense is formed by the Audit Committee and the audit and supervision department, which conduct independent audits and investigations. This layer provides objective evaluations of risk control effectiveness and serves as a deterrent against misconduct through rigorous oversight.

To support this structure, we have implemented a robust risk identification and monitoring system guided by its Internal Control Manual《內部控制手冊》. This system focuses on both internal and external risks and is embedded into routine management activities.

We apply a combination of qualitative and quantitative risk analysis methods to assess potential risks based on likelihood, impact, speed of onset, and duration. Qualitative methods, including surveys and expert consultations, are used for early-stage assessments and lower-impact risks, while quantitative methods, such as statistical modeling and computer simulations, are applied to financial and market-related risks. We actively involve domain experts in the risk assessment process to ensure accuracy and depth.

In terms of risk response, we adopt tailored strategies based on the nature of the risk and our risk tolerance. These strategies include risk avoidance, mitigation, transfer, and acceptance. We regularly adjust these responses in line with our development stage and business priorities. In addition, we evaluate the risk preferences of senior management and key personnel to prevent personal biases from influencing business decisions.

CORPORATE GOVERNANCE REPORT

In 2025, we further enhanced our risk assessment mechanisms and integrated risk management into all stages of corporate operations, forming a closed-loop risk control cycle of prevention, control, and post-event evaluation. This full-process approach ensures the systematic, dynamic, and effective management of risks across our Group.

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

- We have designed a comprehensive set of policies to identify, analyze, manage and monitor various risks. We periodically assess and update our risk management policies.

- Our Board is responsible for overseeing the overall risk management and internal control. Our Audit Committee is authorized to review and evaluate our financial control, risk management and internal control system.

- We have adopted various policies to ensure compliance with the Hong Kong Listing Rules, including but not limited to aspects related to conflict of interest management, connected transactions and information disclosure.

- We will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Hong Kong Listing Rules and duties of directors of companies listed in Hong Kong.

Having considered the internal control measures adopted by us, our Directors are of the view that our enhanced internal control measures are adequate and effective having regard to the obligations of our Company and our Directors under the Hong Kong Listing Rules and other relevant legal and regulatory requirements.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects, including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department. The management has reported to the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2025.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, conducted an annual review of the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended December 31, 2025, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

CORPORATE GOVERNANCE REPORT

The Company has in place the Whistleblowing Policy and system for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also put in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal anti-corruption department, which is responsible for investigating the reported incidents and taking appropriate measures. During the year ended December 31, 2025, the Company held anti-corruption training and briefings to all employees and carried out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the Reporting Period, the Board considered that the Company's risk management and internal control systems were effective and adequate after reviewing all material controls over finance, operation and compliance for the year ended December 31, 2025. The Board will review the Company's risk management and internal control system annually.

GENDER DIVERSITY

We respect the gender, age and ethnicity of each person. As of December 31, 2025, approximately 32% of our full-time employees (including senior management) were female. We will continue to focus on embracing diversity within the Company and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. To this end, we have adopted policies on compensation, dismissal, equal opportunities, diversity and anti-discrimination. Accordingly, the Company gives each job applicant an equal job opportunity and we have an internal policy in place to ensure that there is no discrimination as to gender, age and ethnicity. In addition, we have stipulated in our internal guidelines that decision in relation to human resource management, which include but not limited to promotion, salary increment and dismissal within the Company would be based solely on the employee's performance, experience and capability. While we strive to provide equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

The Company values gender diversity across all levels of the Company. The following table sets out the gender ratio in the workforce of the Company, including the Board and senior management as at the date of this Annual Report:

	Female	**Male**
Board	2	5
Senior management	0	7
Other employees	5,900	12,741
Overall workforce	5,902	12,753

CORPORATE GOVERNANCE REPORT

The Board had targeted to achieve and had achieved at least 2 of female Directors, 0 of female senior management and 5,900 of female employees of the Company and considers that the above current gender diversity is satisfactory.

We will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management. We will encourage current Board members, particularly members of the Nominating Committee, to recommend female director candidates and take other actions to help achieve greater Board diversity, such as inviting some of our talented mid- and senior-level female employees to attend and observe Board meetings. This will enable the Board to learn more about female candidates before they are nominated to the Board, and provide potential female candidates with the opportunity to prepare for directorships.

We will also continue to ensure that gender diversity exists in the recruitment of middle and senior level employees so that we can provide female senior management and potential successors to the Board at the proper timing to ensure gender diversity on the Board. The Company will continue to emphasize the training of female talents and provide long-term development opportunities for female employees, including but not limited to business operations, management, accounting and finance, legal and compliance. As such, we believe that the Board will have the opportunity to identify capable middle and senior level female employees for future nomination as Directors and will be able to make available a list of female candidates for such purpose.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2025.

To the knowledge of the Directors, there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration for the audit and non-audit services provided by the auditors of our Company during the year ended December 31, 2025 was approximately as follows:

Services	Fees paid/payable (excluding value-added tax) RMB'000
Audit services[1]	2,544
Non-audit services[2]	390
Total	**2,934**

Notes:

(1) The audit services including, but not limited to, audit services of this annual report.

(2) The non-audit services including, but not limited to, internal control audit services, capital sufficient letters.

JOINT COMPANY SECRETARIES

Mr. ZHOU Liangliang ("**Mr. Zhou**") and Mr. Chow Shing Lung ("**Mr. Chow**") have acted as the joint company secretaries of the Company since the Listing Date. Mr. Zhou is responsible for managing the operation of the Board, advising the Board on corporate governance matters and ensuring compliance with the Board's policies and procedures as well as applicable laws, rules and regulations. Mr. Chow acts an external joint company secretary and assisted the Company in fulfilling its company secretarial functions and compliance obligations under the Hong Kong Listing Rules.

CORPORATE GOVERNANCE REPORT

Waiver from Strict Compliance with Rules 3.28 and 8.17 of the Listing Rules

Reference is made to the waiver (the "**Waiver**") granted to the Company by the Stock Exchange from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the eligibility of Mr. Zhou to act as a joint company secretary for a three-year period starting from the H Shares of the Company are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange (i.e. January 22, 2026) (the "**Waiver Period**"), on the following conditions:

(i) Mr. Zhou is assisted by Mr. Chow, who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as our joint company secretary throughout the three-year waiver period, to discharge his function as a company secretary and gain the relevant experience under Rule 3.28 of the Listing Rules; and

(ii) this waiver will be revoked in the event of any material breaches of the Listing Rules by our Company.

Such waiver will be revoked upon Mr. Chow's resignation. Relevant details of the Waiver were disclosed in the prospectus of the Company dated January 14, 2026.

Before the end of the Waiver Period, the Company must demonstrate and seek confirmation from the Stock Exchange that Mr. Zhou, having had the benefit of Mr. Chow's assistance for approximately three years, has attained the relevant experience and is capable of discharging the functions of a company secretary under Rule 3.28 of the Listing Rules such that a further waiver will not be necessary. The Stock Exchange may withdraw or change the New Waiver if the Company's situation changes.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, all resolutions put forward at general meetings will be voted on by poll pursuant to the Hong Kong Listing Rules and poll results will be posted on the websites of the Company and Hong Kong Stock Exchange after each general meeting.

CORPORATE GOVERNANCE REPORT

CONVENING SHAREHOLDERS' GENERAL MEETINGS

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

(i) where the number of directors is less than the number stipulated in the Company Law or two-thirds of the number prescribed in the Articles of Association;

(ii) where the losses of the Company that have not been made up represent one-third of its total share capital;

(iii) where such meeting is requested by shareholders individually or jointly holding more than 10% of the shares of the Company;

(iv) where such meeting is deemed necessary by the Board of Directors;

(v) where such meeting is proposed to be convened by the Audit Committee;

(vi) other circumstances specified in laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The number of shares in item (III) above shall be calculated in accordance with the shares held on the day on which the written request is made by the shareholder(s).

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Pursuant to Article 52 to 54 of the Articles of Association, the Company shall convene an extraordinary general meeting, (i) the Board deems it necessary to convene the meeting, (ii) independent non-executive Directors propose to convene the meeting, (iii) the Audit Committee proposes to convene the meeting, and (iv) at the request of Shareholders who individually or collectively hold more than 10% of the Company's shares by written requisition(s). However, prior to the announcement of the resolutions approved at the general meeting, the number of the Company's shares individually or jointly held by the above shareholders shall not be lower than 10% of the total number of the Company's shares with voting rights. For detailed arrangements, please refer to the aforementioned articles.

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to Article 59 of the Articles of Association, when the Company holds a general meeting, the Board of Directors, the Audit Committee, and shareholders who individually or jointly hold more than 1% of the Company's shares have the right to submit proposals to the Company. Shareholders who individually or jointly hold more than 1% of the Company's shares may propose a provisional proposal and submit it in writing to the convener 10 days prior to the general meeting. The convener shall issue a supplementary notice of the general meeting within two days after the receipt of the proposal, announcing the contents of the provisional proposal and submitting the provisional proposal to the general meeting for deliberation, except that the provisional proposal is in violation of the provisions of the laws, administrative regulations or the Articles of Association or does not fall within the terms of reference of the general meeting. If the general meeting shall be postponed for the publication of the supplementary notice of the general meeting in accordance with the provisions in the securities regulatory rules of the place where the Company's shares are listed, the convening of the general meeting shall be postponed in accordance with the relevant provisions. Save as specified above, the convener shall neither revise the proposals set out in the notice of general meetings nor add new proposals after issuing the notice of general meeting. The general meeting shall not vote or pass resolutions on proposals not listed in the notice of the general meeting or resolutions not in conformity with the Articles of Association.

Pursuant to Article 60 of the Articles of Association, the convener shall notify shareholders in writing (including announcements) 21 days prior to the annual general meeting and 15 days prior to the extraordinary general meeting. If laws, regulations and the securities regulatory rules of the place where the Company's shares are listed have other provisions, such provisions shall prevail. The Company shall not include the date of the meeting when calculating the starting time.

PUTTING FORWARD ENQUIRIES TO BOARD AND CONTACT DETAILS

Shareholders may send their enquiries or requests to the Company at Floor 1, Building 1, 401 Caobao Road, Xuhui District, Shanghai, PRC (For the attention of the Board/Company secretary).

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

For enquiries about shareholdings, share registration and entitlements to dividends, Shareholders shall direct their enquiries to Computershare Hong Kong Investor Services Limited, the Company's H share registrar and the contact details are set out as follows:

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852-2862 8555
Fax: +852-2865 0990

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company recognizes that communication with its Shareholders and the market is essential to ensure that Shareholders have access to the information they reasonably require to make an informed assessment of the Company's strategy, operations and financial performance. The Company is committed to maintaining effective and timely communication of the Company's information to its Shareholders and the market.

The Company endeavors to maintain an ongoing dialogue with Shareholders, in particular through general meetings which provide an opportunity for communication between Shareholders and the Board.

The Company's Shareholder Communication Policy has been developed to ensure that Shareholders, including individual and institutional Shareholders and, where appropriate, the investment community, have timely access to comprehensive, equal and easy to understand information about the Company (including overviews on financial performance, strategic objectives and plans, significant developments, governance and risks), in order to enable Shareholders to exercise their rights in an informed manner and to allow Shareholders and the investment community to engage actively with the Company. The shareholders' communication policy of the Company is reviewed by the Board annually.

1. General Policy

1. The Board shall maintain an ongoing dialogue with Shareholders and the investment community, and will regularly review this policy to ensure its effectiveness.

2. The main channels through which the Company communicates information to Shareholders and the investment community are: the Company's financial reports (quarterly (if any), interim and annual reports); the annual general meeting and other general meetings that may be convened; and the publication of all disclosures submitted to Hong Kong Stock Exchange, as well as the Company's newsletters and other corporate publications on the Company's website.

3. The Company will at all times ensure that information is communicated to Shareholders and the investment community in an effective and timely manner. Any queries on this policy should be directed to the joint company secretaries of the Company.

CORPORATE GOVERNANCE REPORT

Corporate Communication

Corporate communication refers to any document which issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to, the directors' report and annual accounts together with the auditor's report, interim report, notice of meeting, circular and proxy form.

Corporate communications to Shareholders are prepared in plain language in both Chinese and English to facilitate Shareholders' understanding of the contents of the communications. Shareholders have the right to choose the language (either English or Chinese) in which they wish to receive the corporate communications or the means of receipt (paper version or electronic form).

Shareholders are advised to provide the Company with, inter alia, their email addresses to facilitate the provision of timely and effective communications.

Company Website

A dedicated "Investor Relations" section is available on the Company's website (https://www.longcheer.com/). The information posted on the website is updated regularly.

Information released by the Company on the website of Hong Kong Stock Exchange is also posted on the Company's website immediately. Such information includes financial statements, results announcements, circulars, notices of general meetings and relevant explanatory documents.

General Meetings

Shareholders are encouraged to participate in general meetings and if they are unable to attend, they may appoint a proxy to attend and vote on their behalf.

Appropriate arrangements should be made for annual general meetings to encourage Shareholders' participation.

The Company shall monitor and regularly review the proceedings of general meetings and make changes where necessary to ensure that they meet the needs of Shareholders.

Board members, in particular, the chairmen of Board committees or their delegates, appropriate executive management and the external auditors shall attend the annual general meeting to answer questions from Shareholders.

CORPORATE GOVERNANCE REPORT

Shareholders are encouraged to attend Shareholders' events organized by the Company to keep abreast of the Company's developments, including updates on strategic planning, products and services.

The Company organises various activities, including briefings and individual meetings with investors/analysts, local and/or international promotional tours, media interviews and investor outreach activities, as well as organises/participates in industry thematic forums, etc., as it deems appropriate to facilitate communication between the Company and its Shareholders and the investment community.

Directors and employees of the Company are subject to the disclosure obligations and requirements under the Company's policy on disclosure of inside information whenever they have contacts or dialogues with investors, analysts, the media or other outside related parties.

2. Shareholders' Privacy

The Company understands the importance of protecting Shareholders' privacy and will not disclose Shareholders' information without their consent, except as required by law.

The Board has reviewed the above policy, and believes that Shareholders have sufficient means and channels to express their opinions to the Company, and the Company's shareholders' communication policy was effectively implemented and executed during the Reporting Period.

THE ARTICLES OF ASSOCIATION

The Company adopted the Articles of Association on June 9, 2025, which became effective on the Listing Date. On December 31, 2025, the Company made certain amendments to the Articles of Association adopted on June 9, 2025. An up-to-date version of the Company's Articles of Association is also available on the websites of the Company and of the Hong Kong Stock Exchange.

DIVIDEND POLICY

Pursuant to the Articles of Association, the Board may declare dividends in the future after taking into account the results of operations, financial conditions, cash requirements and availability of the Company, and other factors as it may deem relevant at such time. The Company has adopted a dividend policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the conditions and factors as set out in the dividend policy of the Company, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents, applicable PRC laws and approval by the Shareholders.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Shanghai Longcheer Technology Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Longcheer Technology Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 94 to 191, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") as issued by the International Auditing and Assurance Standards Board (the "**IAASB**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group mainly manufactures and sells goods and services including smartphones, tablets, AIoT and others. During the year ended 31 December 2025, the Group's revenue from sales of goods and services amounted to approximately RMB42,125 million. Considering the significant volume of transactions, the complexity of various contractual terms with a large number of customers from different countries and jurisdictions on products and services delivered, the appropriateness and accuracy of revenue recognition had a significant impact to the financial statements. Accordingly, revenue recognition was identified as a key audit matter. Details of revenue are set out in note 2.4 and note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition on sales of goods and services included: • Understood, assessed and tested the effectiveness of the design and operation of internal controls related to revenue recognition; • Obtained main sales contracts, checked and identified the terms and provision in the contracts which related to the transfer of control and revenue recognition, and assessed whether the accounting policies on revenue recognition had been in compliance with IFRS Accounting Standards; • Tested details on revenue recognition and checked supporting documents on a sample basis, including sales contracts and customer orders, sales invoices, good delivery documents, customers' acceptance notes, and bank settlements and obtained direct confirmation from customers for sales; • Conducted analytical review procedures to evaluate the reasonableness of revenue and gross profit margin trends; • Performed cut-off test on the revenue recognised before and after the balance sheet date, and checked the supporting documents, including sales contracts, customer orders, delivery documents and customers acceptance receipts to evaluate that the revenue was recognised in appropriate period; • Reviewed the appropriateness and adequacy of the disclosures of revenue in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on trade receivables	
As at 31 December 2025, the gross balance of trade receivables of the Group amounted to approximately RMB9,866 million, and the impairment allowance of trade receivables amounted to approximately RMB9 million, which accounted for a significant portion of the total assets in the consolidated financial statements. The Group applied a simplified method which grouped different portfolios based on their loss patterns, and used a provision matrix to assess the expected credit losses. For an item of trade receivable with objective evidence indicating that the credit risk of such differs significantly from that of other trade receivables, the Group assessed the expected credit losses of such trade receivable individually. Management's estimate of expected credit losses has taken into consideration all reasonable and reliable information, including the aging, existence of disputes and historical repayments, and forward-looking information and other factors. We considered the expected credit losses on trade receivables as a key audit matter due to the high degree of judgement and estimation uncertainty. Further details of trade receivable are set out in note 2.4, note 3 and note 19 to the consolidated financial statements.	Our procedures in relation to expected credit losses on trade receivables included: • Understood, assessed and tested the effectiveness of the design and operation of internal controls related to expected credit loss allowance for trade receivables; • Tested the method, assumptions and data used to estimate expected credit losses by performing procedures such as : (1) assessing the appropriateness of the expected credit loss provisioning methodology, including the grouping of customers in determining the respective historical loss rates, (2) inquiring management regarding the credit worthiness of customers, (3) analysing historical payment pattern of customers, (4) testing, on a sample basis, the key data inputs such as the ageing schedule of trade receivables, (5) testing the inputs, assumptions and estimation techniques, including both historical and forward-looking information, used to determine the expected credit losses, (6) analysing historical trade receivable turnover days and expected credit loss rate by comparing with the industry average; • Checked the mathematical accuracy of the calculations; • Assessed the adequacy of the disclosures related to expected credit loss allowance for trade receivables in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Cheung (practising certificate number: P04900).

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	5	**42,124,809**	46,382,472
Cost of sales		**(38,532,495)**	(43,676,093)
Cost of sales of goods and services		**(38,456,609)**	(43,605,123)
Impairment losses on inventories	6	**(75,886)**	(70,970)
Gross profit		**3,592,314**	2,706,379
Other income and gains	5	**647,481**	578,647
Sales and marketing expenses		**(98,245)**	(89,840)
Administrative expenses		**(709,089)**	(506,081)
Research and development expenses		**(2,715,166)**	(2,080,172)
Impairment losses on financial assets, net		**(1,827)**	(1,343)
Other expenses		**(58,992)**	(56,103)
Finance costs	7	**(60,813)**	(67,525)
Share of profits of an associate	17	**31,533**	30,042
PROFIT BEFORE TAX	6	**627,196**	514,004
Income tax expense	10	**(38,862)**	(20,654)
PROFIT FOR THE YEAR		**588,334**	493,350
Attributable to:			
Owners of the parent		**585,117**	501,132
Non-controlling interests		**3,217**	(7,782)
		588,334	493,350
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	12	**1.27**	1.10
Diluted (RMB)	12	**1.27**	1.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
PROFIT FOR THE YEAR	**588,334**	493,350
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of an associate	**6,958**	(7,721)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(3,600)**	(3,790)
Exchange differences:		
Exchange differences on translation of foreign operations	**(36,517)**	9,037
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(33,159)**	(2,474)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(33,159)**	(2,474)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**555,175**	490,876
Attributable to:		
Owners of the parent	**551,903**	498,658
Non-controlling interests	**3,272**	(7,782)
	555,175	490,876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,056,106**	2,405,797
Investment properties	14	**2,188**	2,326
Right-of-use assets	15	**673,920**	655,273
Other intangible assets	16	**71,103**	32,999
Investments in an associate	17	**601,922**	629,787
Deferred tax assets	29	**201,697**	187,893
Investments measured at fair value through profit or loss	21	**383,682**	242,652
Prepayments, other receivables and other assets	20	**34,728**	28,148
Total non-current assets		**5,025,346**	4,184,875
CURRENT ASSETS			
Inventories	18	**1,921,544**	1,881,625
Trade and bills receivables	19	**9,877,651**	11,732,512
Prepayments, other receivables and other assets	20	**546,646**	341,181
Investments measured at fair value through profit or loss	21	**3,290,807**	1,384,902
Derivative financial instruments	26	**–**	726
Pledged deposits	22	**334,424**	1,222,947
Restricted cash	22	**102,015**	41,442
Time deposits	22	**–**	93,876
Cash and cash equivalents	22	**4,987,902**	5,461,528
Total current assets		**21,060,989**	22,160,739
CURRENT LIABILITIES			
Trade and bills payables	23	**14,777,983**	17,310,801
Contract liabilities	25	**62,934**	9,445
Other payables and accruals	24	**801,044**	461,536
Derivative financial instruments	26	**30,510**	27,636
Interest-bearing bank borrowings	27	**3,496,828**	1,806,660
Lease liabilities	15	**56,472**	75,716
Tax payable		**16,481**	32,656
Total current liabilities		**19,242,252**	19,724,450
NET CURRENT ASSETS		**1,818,737**	2,436,289
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,844,083**	6,621,164

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	**2025**	2024
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**721,561**	694,717
Lease liabilities	15	**161,948**	168,998
Deferred tax liabilities	29	**11**	14
Other payables and accruals	24	**–**	1,125
Deferred income	28	**134,245**	163,180
Total non-current liabilities		**1,017,765**	1,028,034
Net assets		**5,826,318**	5,593,130
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**470,332**	465,097
Treasury shares	32	**(284,090)**	–
Reserves	32	**5,644,447**	5,135,676
		5,830,689	5,600,773
Non-controlling interests		**(4,371)**	(7,643)
Total equity		**5,826,318**	5,593,130

Du Junhong	Zhang Zhijiong
Director	Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

		Attributable to owners of the parent									
	Notes	Share capital RMB'000 (note 30)	Capital and other reserve* RMB'000 (note 32)	Share-based payment reserves* RMB'000	Cash flow hedge reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Statutory reserves* RMB'000 (note 32)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024		405,097	1,367,395	194,293	(23,120)	55,198	135,762	1,690,633	3,825,258	139	3,825,397
Profit for the year		–	–	–	–	–	–	501,132	501,132	(7,782)	493,350
Other comprehensive loss for the year:											
Share of other comprehensive loss of an associate		–	(7,721)	–	–	–	–	–	(7,721)	–	(7,721)
Cash flow hedges		–	–	–	(3,790)	–	–	–	(3,790)	–	(3,790)
Exchange differences on translation of foreign operations		–	–	–	–	9,037	–	–	9,037	–	9,037
Total comprehensive income for the year		–	(7,721)	–	(3,790)	9,037	–	501,132	498,658	(7,782)	490,876
Issue of shares	30	60,000	1,500,000	–	–	–	–	–	1,560,000	–	1,560,000
Share issue expenses		–	(119,321)	–	–	–	–	–	(119,321)	–	(119,321)
Share-based payments	31	–	–	71,634	–	–	–	–	71,634	–	71,634
Transfer from retained profits		–	–	–	–	–	14,995	(14,995)	–	–	–
Dividends declared		–	–	–	–	–	–	(232,548)	(232,548)	–	(232,548)
Share of capital reserves of an associate		–	(2,908)	–	–	–	–	–	(2,908)	–	(2,908)
At 31 December 2024		465,097	2,737,445	265,927	(26,910)	64,235	150,757	1,944,222	5,600,773	(7,643)	5,593,130

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 (note 30)	Treasury shares RMB'000 (note 32)	Capital and other reserve* RMB'000 (note 32)	Share-based payment reserves* RMB'000	Cash flow hedge reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Statutory reserves* RMB'000 (note 32)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2025		465,097	–	2,737,445	265,927	(26,910)	64,235	150,757	1,944,222	5,600,773	(7,643)	5,593,130
Profit for the year									585,117	585,117	3,217	588,334
Other comprehensive loss for the year:												
Share of other comprehensive income of an associate		–	–	6,958	–	–	–	–	–	6,958	–	6,958
Cash flow hedges		–	–	–	–	(3,600)	–	–	–	(3,600)	–	(3,600)
Exchange differences on translation of foreign operations		–	–	–	–	–	(36,572)	–	–	(36,572)	55	(36,517)
Total comprehensive income for the year		–	–	6,958	–	(3,600)	(36,572)	–	585,117	551,903	3,272	555,175
Issue of shares	30	5,235	–	96,010	–	–	–	–	–	101,245	–	101,245
Shares repurchased under a share award scheme	32	–	(299,820)	(49)	–	–	–	–	–	(299,869)	–	(299,869)
Share repurchase obligation recognised		–	(234,921)	–	–	–	–	–	–	(234,921)	–	(234,921)
Proceeds from shares granted under a share award scheme		–	250,651	(116,975)	–	–	–	–	–	133,676	–	133,676
Share-based payments	31	–	–	1,541	134,915	–	–	–	–	136,456	–	136,456
Transfer from retained profits		–	–	–	–	–	–	29,234	(29,234)	–	–	–
Dividends declared		–	–	–	–	–	–	–	(228,798)	(228,798)	–	(228,798)
Share of capital reserves of an associate		–	–	70,224	–	–	–	–	–	70,224	–	70,224
At 31 December 2025		470,332	(284,090)	2,795,154	400,842	(30,510)	27,663	179,991	2,271,307	5,830,689	(4,371)	5,826,318

* These reserve accounts comprise the consolidated reserves of RMB5,644,447,000 (2024: RMB5,135,676,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**627,196**	514,004
Adjustments for:			
Finance costs		**68,613**	67,525
Interest income	5	**(137,964)**	(160,361)
Impairment losses on financial assets, net		**1,827**	1,343
Impairment of prepayments	6	**–**	39,111
Impairment of inventories	6	**75,886**	70,970
Depreciation of property, plant and equipment	6,13	**406,479**	338,922
Amortisation of other intangible assets	6,16	**22,217**	22,787
Depreciation of right-of-use assets	6,15	**92,366**	84,567
Depreciation of investment properties	6,14	**138**	137
Share-based payments	6	**134,915**	71,634
Loss on disposal of items of property, plant and equipment, and other intangible assets	6	**9,027**	2,531
Loss on lease term termination		**104**	3,760
Fair value changes in investments measured at fair value through profit or loss, net	6	**(104,942)**	(517)
Share of profits of an associate	17	**(31,533)**	(30,042)
Gain on disposal of investments measured at fair value through profit or loss, net	5,6	**(12,445)**	(6,630)
Gain on settlement of derivative financial instruments	5,6	**(26,549)**	(4,531)
Foreign exchange differences, net		**43,363**	10,671
		1,168,698	1,025,881
Increase in inventories		**(115,805)**	(237,793)
Decrease/(increase) in trade and bills receivables		**1,593,555**	(2,764,391)
Increase in prepayments, other receivables and other assets		**(178,797)**	(189,820)
(Decrease)/increase in trade and bills payables		**(2,700,586)**	3,627,928
Increase in other payables and accruals		**95,781**	20,228
Increase/(decrease) in contract liabilities		**53,489**	(14,656)
(Decrease)/increase in deferred income		**(28,935)**	35,344
Decrease/(increase) in restricted cash and pledged deposits		**1,182,950**	(569,071)
Cash generated from operations		**1,070,350**	933,650
Interest received		**137,964**	160,361
Taxes paid		**(70,402)**	(67,518)
Net cash flows from operating activities		**1,137,912**	1,026,493

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments measured at fair value through profit or loss		25,986,025	8,078,407
Settlement of derivative financial instruments, net		26,549	11,643
Dividends received		147,919	35,412
Purchases of items of property, plant and equipment		(891,281)	(675,975)
Additions to other intangible assets		(55,580)	(31,450)
Proceeds from disposal of items of property, plant and equipment		2,668	3,145
Purchases of investments measured at fair value through profit or loss		(27,950,732)	(9,394,900)
Acquisition of a subsidiary	33	(35,775)	–
Increase in other payables and accruals		510	875
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired		93,876	(93,876)
Additions to leasehold land		(35,159)	–
Deposits for financial assets at fair value through profit or loss		(100,000)	–
Net cash flows used in investing activities		(2,810,980)	(2,066,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(65,662)	(50,427)
Discount interest on bills receviable		(4,852)	(13,619)
Proceeds from issue of shares		101,245	1,482,000
Share issue expenses		(23,944)	(33,473)
New bank loans		6,276,010	3,890,482
Repayment of bank loans		(4,297,240)	(2,853,064)
Lease payments	15(b)	(92,761)	(83,833)
Dividends paid		(228,798)	(232,548)
Withdrawal of pledged deposits		(255,000)	–
Repurchase of shares held for a share award scheme		(299,869)	–
Proceeds from shares granted under a share award scheme		133,676	–
Net cash flows from financing activities		1,242,805	2,105,518
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(430,263)	1,065,292
Cash and cash equivalents at beginning of year		5,461,528	4,406,907
Effect of foreign exchange rate changes, net		(43,363)	(10,671)
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,987,902	5,461,528

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**5,424,341**	6,819,793
Less: Non-pledged time deposits with original maturity of more than three months	22	**–**	93,876
Restricted cash	22	**102,015**	41,442
Pledged deposits	22	**334,424**	1,222,947
Cash and cash equivalents as stated in the statement of cash flows		**4,987,902**	5,461,528

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

1. CORPORATE AND GROUP INFORMATION

Shanghai Longcheer Technology Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") as a wholly foreign owned enterprise on 27 October 2004. The Company was listed on the Shanghai Stock Exchange on 1 March 2024 and was subsequently listed on the Stock Exchange of Hong Kong Limited on 22 January 2026. The registered office of the Company is located at Building 1, No. 401 Caobao Road, Xuhui District, Shanghai, the PRC.

During the year, the Company and its subsidiaries (collectively, the "Group") engaged in the manufacture and sale of smartphones, tablets, artificial intelligence and internet of things ("AIoT") products and other electronic equipment and the provision of research and development ("R&D") and technical services.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/registration and operations	Nominal value of issued ordinary share capital/ registered capital ('000)	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
上海妙博軟體技術有限公司 Miaobo Software Co., Ltd.*	PRC/Chinese mainland/ 16 January 2014	RMB10,000	100	–	Technical research and development of software, design and sale of software
惠州龍旗汽車電子有限公司 Huizhou Longcheer Automotive Electronics Co., Ltd.*	PRC/Chinese mainland/ 30 January 2019	RMB50,000	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
龍旗電子(惠州)有限公司 Longcheer Electronics (Huizhou) Co., Ltd.*	PRC/Chinese mainland/ 26 November 2009	RMB600,000	100	–	Manufacture of smartphones and tablet computers and AIoT products and procurement of raw materials
南昌龍旗信息技術有限公司 Nanchang Longcheer Information Technology Co., Ltd.*	PRC/Chinese mainland/ 17 July 2017	RMB1,800,000	–	100	Manufacture of smartphones, tablet computers and AIoT products, and procurement of raw materials
南昌龍旗智能科技有限公司 Nanchang Longcheer Smart Technology Co., Ltd.*	PRC/Chinese mainland/ 27 July 2022	RMB20,000	–	100	Technical research and development, and design of software and electronic equipment
Longcheer Telecommunication (H.K.) Limited	Hong Kong/ 21 April 2004	Hong Kong dollars ("HKD") 10	100	–	Procurement and sale of raw materials, and sale of smartphones, tablets, AIoT products and other electronic equipment
Longcheer Mobile (India) Private Limited	India/ 5 July 2017	Indian Rupee ("INR") 100	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Name	Place and date of incorporation/registration and operations	Nominal value of issued ordinary share capital/ registered capital ('000)	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Longcheer Telecommunication Company Limited	Malaysia/ 9 March 2018	United States dollars ("USD") 0.001	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
南昌國龍信息科技有限公司 Nanchang Sinolong Co., Ltd.*	PRC/Chinese mainland/ 30 March 2020	RMB50,000	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
上海龍旗智能科技有限公司 Shanghai Longcheer Smart Technology Co., Ltd.*	PRC/Chinese mainland/ 19 October 2021	RMB600,000	100	–	Technical research, development, design, and sale of smartphones, tablets, AIoT products and other electronic equipment
Longcheer Meiko Electronics Vietnam Co., Ltd.	Vietnam/ 20 May 2020	Vietnamese Dong ("VND") 115,825,000	–	80	Assembly, processing, manufacture, export, and wholesale of electronic components
Longcheer Intelligence Pte. Ltd.	Singapore/ 26 June 2023	USD2,200	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
合肥龍旗智能科技有限公司 Hefei Longcheer Smart Technology Co., Ltd.*	PRC/Chinese mainland/ 22 November 2021	RMB10,000	100	–	Research and development, design, and sale of smartphones, tablets, AIoT products and other electronic equipment
上海豪承信息技術有限公司 Shanghai Haocheng Information Technology Co., Ltd.*	PRC/Chinese mainland/ 13 October 2009	RMB18,000	100	–	Technical research and development, and design of software and electronic equipment
國龍信息技術(上海)有限公司 Guolong Information Technology (Shanghai) Co., Ltd.*	PRC/Chinese mainland/ 13 December 2004	RMB120,000	100	–	Sale of smartphones, tablets, AIoT products and other electronic equipment
上海歡米科技有限公司 Shanghai Huanmi Technology Co., Ltd.*	PRC/Chinese mainland/ 21 October 2016	RMB18,200	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
上海龍旗信息技術有限公司 Shanghai Longcheer Information Co., Ltd.*	PRC/Chinese mainland/ 5 July 2017	RMB10,000	100	–	Investment holding

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Name	Place and date of incorporation/registration and operations	Nominal value of issued ordinary share capital/ registered capital ('000)	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Longcheer Technology (U.S.) Limited	The United States/ 22 February 2016	USD400	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
Longcheer Korea Technology Limited*	Republic of Korea/ 21 November 2019	Korean Won ("KRW") 100,000	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
上海龍旗實業有限公司 Shanghai Longcheer Industrial Co., Ltd.*	PRC/Chinese mainland/ 22 October 2021	RMB18,000	100	–	Investment holding
Sinolong Technology (H.K) Limited	Hong Kong/ 3 November 2021	HKD0.001	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
Longcheer Japan Co., Ltd.*	Japan/ 7 December 2023	Japanese Yen ("JPY") 75,000	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
惠州市龍和科技有限公司 Huizhou Longhe Technology Co., Ltd.*	PRC/Chinese mainland/ 3 December 2009	RMB46,000	–	100	Technical research and development, and design of software and electronic equipment
海口龍旗科技投資有限公司 Haikou Longcheer Technology Investment Co., Ltd.*	PRC/Chinese mainland/ 20 October 2025	RMB500,000	100	–	Investment holding
Longcheer International Pte. Ltd.	Singapore/ 18 November 2025	USD10	–	100	Sale of smartphones, tablets, AIoT products and other electronic equipment
Longcheer Technology Pte. Ltd.	Singapore/ 26 November 2025	USD10	–	100	Technical research and development, and design of software and electronic equipment
Longcheer Intelligent Technology (Malaysia) Sdn. Bhd.	Malaysia/ 12 December 2025	Malaysian Ringgit ("MYR") 3	–	100	Manufacture of consumer electronics

* The English names of these companies represent the best efforts made by the management of the Company to translate the names of these companies as they do not have official English names.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, and investments measured at fair value through profit or loss. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries and associate for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[1]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual/reporting periods beginning on or after 1 January 2027
3 No mandatory effective date yet determined but available for adoption

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (Continued)

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements.* As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows,* IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting.* In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. IFRS 19 was amended in 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of IFRS 19 and its amendments in their specified financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (Continued)

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (Continued)

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Fair value measurement

The Group measures its derivative financial instruments and investments measured at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Machinery	9% to 30%
Office equipment and electronic devices	18% to 30%
Vehicles	18% to 30%
Leasehold improvements	Shorter of the remaining lease terms and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less any impairment loss and are depreciated on the straight-line basis over their estimated useful lives of 20 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 5 years.

Research and development expenses

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	1 to 10 years
Machinery	3.33 years
Motor vehicles	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative financial instruments and investments measured at fair value through profit or loss which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the investments measured at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, derivative financial instruments and interest-bearing bank borrowings.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of smartphones, tablets, AIoT products and other electronic equipment

The Group sells smartphones, tablets, AIoT products and other electronic equipment to customers. Revenue from the sale of products is recognised at the point in time when control of the products is transferred to the customer, generally when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group reports revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The Group is a principal if it controls the specified product or service before that product or service is transferred to a customer or if it has the right to direct others to provide the product or service to the customer on the Group's behalf. Indicators that the Group is a principal include, but are not limited to, whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified good or service; (ii) has inventory risk before the specified good or service has been transferred to a customer or after the transfer of control to the customer; and (iii) has discretion in establishing the price for the specified good or service, etc.

(b) Provision of R&D and technical services

The Group recognises revenue from the R&D and technical services at a point in time when the relevant services are rendered and acknowledged by the customers.

(c) Contract manufacturing services

The Group provides processing services and processing fee revenue is recognised at a point in time when the processed products are transferred to and accepted by the customers.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

Several employee incentive schemes are operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer based on a recent transaction price, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of restricted shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Company and the Group's subsidiaries which operate in the Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each reporting period.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Principal versus agent considerations

The Group sells products to a customer who is also the supplier of key materials used in the manufacturing of products. The Group needs to determine whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and therefore recognises revenue on a gross basis if it controls the promised goods before transferring the goods to the customer. Otherwise, the Group is an agent and recognises revenue the net amount that it retains for its agency services if its role is to arrange to provide the goods to customers. To assess whether the Group controls the goods before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group (i) is the principal in the arrangement; (ii) has general inventory risk; (iii) has latitude in establishing the selling price; and (iv) has significant involvement in the determination of product specifications.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is set out in note 19 to the financial statements.

Impairment of inventories

The Group periodically assesses the net realisable value of its inventories and provides for inventory impairment based on the difference between the cost of the inventory and the net realisable value. When estimating the net realisable value of inventories, management considers the purpose for which the inventories are held, as well as future use or sales as the basis for estimation. Where the expectation is different from the original estimate, such difference will impact on the carrying value of the inventories and write-down of inventories in the period in which such estimates have been changed.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Fair value measurement for unlisted investments

The Group made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at fair value through profit or loss. The fair values of those investments are determined using valuation techniques and the Group exercises judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of the year. Further details are set out in note 41. Should any of the estimates and assumptions change, it may lead to a material change in the respective fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of smartphones, tablets, AIoT products and other electronic equipment and the provision of R&D and technical services. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	2025 **RMB'000**	2024 RMB'000
Chinese mainland	**24,553,814**	31,406,597
Overseas	**17,570,995**	14,975,875
Total revenue	**42,124,809**	46,382,472

The revenue information above is based on the locations of the customers.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

Information about the Group's non-current assets excluding deferred tax assets and financial instruments is presented based on the geographical locations of the assets.

	2025 RMB'000	2024 RMB'000
Chinese mainland	3,592,629	2,905,348
Overseas	837,052	848,982
Total non-current assets	4,429,681	3,754,330

Information about major customers

External customers that contributed over 10% of total revenue of the Group during the year were as follows:

	2025 RMB'000	2024 RMB'000
Customer A	12,093,842	17,261,692
Customer B	9,798,382	8,012,394
Customer C	4,888,485	6,903,382

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	42,124,809	46,382,472

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

	2025 RMB'000	2024 RMB'000
Types of goods or services		
Smartphones	28,934,703	36,132,747
Tablets	4,152,643	3,696,313
AIoT and other products	7,868,884	5,573,138
Others	1,168,579	980,274
Total revenue from contracts with customers	42,124,809	46,382,472
Timing of revenue recognition		
Transferred at a point in time	42,124,809	46,382,472

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	4,674	24,101

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon customers' acceptance and payment is generally due between 30 days and 60 days.

Provision of services

The performance obligation is satisfied at the point in time when the services are completed and accepted by customers based. Contract price is usually paid by customers within 30 to 60 days.

All amounts of transaction prices allocated to the performance obligations for the sale of products and the provision of services are expected to be recognised as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration of more than one year, thus management applied the practical expedient under IFRS 15 and has not disclosed the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

An analysis of other income and gains is as follows:

	Note	**2025** **RMB'000**	2024 RMB'000
Other income			
Government grants		**241,453**	179,320
Interest income		**137,964**	160,361
Value-added tax additional deduction		**115,923**	214,154
Others		**8,205**	12,973
Total other income		**503,545**	566,808
Gains			
Fair value changes in investments measured at fair value through profit or loss, net	6	**104,942**	517
Gain on disposal of investments measured at fair value through profit or loss, net	6	**12,445**	6,630
Gain on settlement of derivative financial instruments	6	**26,549**	4,531
Others		**–**	161
Total gains		**143,936**	11,839
Total other income and gains		**647,481**	578,647

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2025 RMB'000	2024 RMB'000
Cost of sales of goods and services*		**38,456,609**	43,605,123
Depreciation of property, plant and equipment	13	**406,479**	338,922
Amortisation of other intangible assets	16	**22,217**	22,787
Depreciation of right-of-use assets	15(a)	**92,366**	84,567
Depreciation of investment properties	14	**138**	137
Research and development expenses*		**2,715,166**	2,080,172
Auditor's remuneration		**2,934**	1,744
Listing expenses		**1,059**	–
Lease payments not included in the measurement of lease liabilities	15(c)	**72,612**	81,636
Employee benefit expense (including directors', chief executive's and supervisors' remuneration (note 8)):			
Wages and salaries		**2,949,401**	2,242,498
Share-based payments		**134,915**	71,634
Pension scheme contributions and social welfare		**551,006**	424,673
Impairment of prepayments		**–**	39,111
Impairment losses on inventories	18	**75,886**	70,970
Loss on disposal of items of property, plant and equipment, and other intangible assets		**9,027**	2,531
Fair value changes in investments measured at fair value through profit or loss, net	5	**(104,942)**	(517)
Gain on disposal of investment measured at fair value through profit or loss, net	5	**(12,445)**	(6,630)
Gain on settlement of derivative financial instruments	5	**(26,549)**	(4,531)

* Cost of sales of goods and services and research and development expenses include expenses relating to depreciation of property, plant and equipment, amortisation of other intangible assets, depreciation of right-of-use assets, depreciation of investment properties, and employees costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest on interest-bearing bank borrowings	60,454	63,972
Interest on lease liabilities	9,148	9,824
Less: Interest capitalised	(8,789)	(6,271)
Total	60,813	67,525

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2025 RMB'000	2024 RMB'000
Fees	388	360
Other emoluments:		
Salaries, allowances and bonuses	8,722	7,102
Share-based payment expenses	267	12
Pension scheme contributions and social welfare	838	826
Subtotal	9,827	7,940
Total	10,215	8,300

* Certain executive directors of the Company are entitled to bonus payments which are determined are determined by key performance indicators.

During the year, certain directors and supervisors were granted shares under a restricted share scheme and employee stock ownership scheme, in respect of their services to the Group, under the employee incentive scheme of the Company, further details of which are set out in note 31 to the consolidated financial statements. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding "share-based payment expenses" recognised in profit or loss over the vesting period. The amounts of the share-based payment expenses during the year are included in the above directors', chief executive's and supervisors' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2025 RMB'000	2024 RMB'000
Mr. Shen Jianxin	120	120
Mr. Kang Zhijun (i)	60	120
Mr. Yang Chuan	120	120
Ms. Niu Shuangxia (ii)	88	–
Total	388	360

(i) Mr. Kang Zhijun resigned in June 2025.

(ii) Ms. Niu Shuangxia was appointed as an independent non-executive director in June 2025.

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).

(b) Directors, supervisors and the chief executive

	Salaries, allowances and bonuses RMB'000	Share-based payment expenses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
2025				
Directors:				
Mr. Du Junhong	2,796	–	186	2,982
Mr. Ge Zhengang (vii)	2,746	–	163	2,909
Mr. Guan Yadong	1,371	8	155	1,534
Mr. Wang Boliang (i)	433	–	73	506
Mr. Liu De (v)	–	–	–	–
Mr. Wang Cunfu (v)	–	–	–	–
Ms. Qin Yanling (ii)	609	177	86	872
	7,955	185	663	8,803
Supervisors:				
Ms. Qin Yanling (ii)	441	2	61	504
Ms. Tai Lili (iii)	154	–	53	207
Mr. Xu Wei (vi)	–	–	–	–
Mr. Zhang Lugang (iv)	172	80	61	313
	767	82	175	1,024
Total	8,722	267	838	9,827

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Directors, supervisors and the chief executive (Continued)

	Salaries, allowances and bonuses RMB'000	Share-based payment expenses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
2024				
Directors:				
Mr. Du Junhong	1,451	–	131	1,582
Mr. Ge Zhengang (vii)	2,400	–	162	2,562
Mr. Guan Yadong	1,372	8	145	1,525
Mr. Wang Boliang (i)	522	–	145	667
Mr. Liu De	–	–	–	–
Mr. Wang Cunfu	–	–	–	–
	5,745	8	583	6,336
Supervisors:				
Ms. Qin Yanling	1,049	4	145	1,198
Mr. Xu Wei (vi)	–	–	–	–
Ms. Tai Lili (iii)	308	–	98	406
	1,357	4	243	1,604
Total	7,102	12	826	7,940

(i) Mr. Wang Boliang resigned in June 2025.

(ii) In June 2025, Ms. Qin Yanling was appointed as a director of the Company.

(iii) Ms. Tai Lili resigned in June 2025.

(iv) In February 2025, Mr. Zhang Lugang was appointed as a supervisor of the Company who resigned in June 2025.

(v) Mr. Liu De and Mr. Wang Cunfu resigned in February 2025.

(vi) Mr. Xu Wei resigned in February 2025.

(vii) Mr. Ge Zhengang is the chief executive of the Company.

Pursuant to a resolution of the shareholders' meeting of the Company in June 2025 to dissolve the board of supervisors.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

9. FIVE HIGHEST PAID EMPLOYEES

None of the five individuals with the highest emoluments in the Group during the year (2024: Nil) were directors or supervisors. Details of the remuneration for the year of the highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and bonuses	8,076	7,844
Share-based payment expenses	40,198	24,607
Pension scheme contributions	759	733
Total	49,033	33,184

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	2025	2024
Nil to HKD3,500,000	–	–
HKD3,500,001 to HKD4,000,000	–	1
HKD4,000,001 to HKD4,500,000	–	1
HKD4,500,001 to HKD5,000,000	–	–
HKD5,000,001 to HKD5,500,000	–	2
HKD5,500,001 to HKD6,000,000	–	–
HKD7,000,001 to HKD7,500,000	2	–
HKD8,500,001 to HKD9,000,000	1	–
HKD10,000,001 to HKD10,500,000	1	–
HKD12,000,001 to HKD12,500,000	–	–
HKD14,000,001 to HKD14,500,000	–	–
HKD14,500,001 to HKD15,000,000	–	1
HKD20,000,001 to HKD25,000,000	1	–
Total	5	5

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and/or operate.

Chinese mainland

Pursuant to the income tax rules and regulations of the Chinese mainland, the provision for Chinese mainland income tax for the Group's entities is calculated based on the statutory tax rate of 25% (2024: 25%), except for the Company and certain subsidiaries of the Group in the Chinese mainland which are qualified as High and New Technology Enterprises ("HNTEs") pursuant to the tax regulations and are entitled to a preferential income tax rate of 15% (2024: 15%).

Certain subsidiaries of the Group are subject to the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy, the subsidiaries with annual taxable income not exceeding RMB3,000,000 is subject to an effective preferential income tax rate of 20%.

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 (2024: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (2024:16.5%).

The United States

The subsidiary incorporated in the United States is subject to federal corporation income tax at the rate of 21% on its federal taxable income as well as California state corporate income tax at the rate of 8.84% (2024: 8.84%) (minimum tax of USD800) on its California state taxable income.

India

The subsidiary incorporated in India is subject to corporate income tax rate of 22% (2024: 22%).

Malaysia

The subsidiaries incorporated in Malaysia, except those registered in Labuan whose offshore income is exempt from corporate income tax, are subject to corporate income tax rate of 24% (2024: 24%).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

10. INCOME TAX (CONTINUED)

Republic of Korea

The subsidiary incorporated in the Republic of Korea is subject to corporate income tax at progressive rates ranging from 9% to 24% (2024: 9% to 24%) according to the annual pre-tax profit.

Vietnam

The subsidiary incorporated in Vietnam is subject to corporate income tax rate of 20% (2024: 20%). No profit tax has been provided for the subsidiary incorporated in Vietnam as no assessable profits generated in Vietnam during the year.

Japan

The subsidiary incorporated in Japan is subject to corporate tax rate of 23.2% (2024: 23.2%).

Singapore

The subsidiary incorporated in Singapore is subject to corporate income tax of 17% (2024: 17%).

The income tax expense of the Group is analysed as follows:

	2025 RMB'000	2024 RMB'000
Current – Chinese mainland	42,713	52,800
Current – Elsewhere	8,415	10,831
Deferred (note 29)	(12,266)	(42,977)
Total tax expense for the year	38,862	20,654

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the preferential tax rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, is as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	627,196	514,004
Tax at the preferential tax rate of 15%	94,079	77,101
Impact of different tax rates on subsidiaries	5,595	12,805
Effect on opening deferred tax of decrease in rates	1	6,768
Adjustments in respect of current income tax of previous periods	1,051	1,050
Expenses not deductible for tax and overseas tax losses and deductible temporary differences not recognised (a)	27,689	14,488
Income not subject to tax and utilisation of overseas tax losses not recognised in previous periods	(24,911)	(10,746)
Utilisation of tax losses of subsidiaries in Chinese mainland not recognised in previous periods	*	(11,845)
Tax losses and deductible temporary differences not recognised for subsidiaries in Chinese mainland	39,237	10,988
Additional deduction on research and development expenses (b)	(103,064)	(78,933)
Others	(815)	(1,022)
Tax expense at the Group's effective tax rate	38,862	20,654

* Less than 1

(a) Expenses not deductible for tax mainly include the tax effect of share-based payments and non-deductible business entertainment expenses.

(b) The additional deduction allowance was for qualified research and development expenses. According to the relevant laws and regulations of Chinese mainland, starting from 1 October 2022, the aforementioned deduction rate increased to 200% for all enterprises.

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. The Group will account for the additional Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted and effected as at 31 December 2025 in certain jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group expects to benefit from the transitional safe harbour provisions in most of its operating jurisdictions, and thus no Pillar Two Top-up taxes arise. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which it operates are above 15%. The Group does not expect a material exposure to Pillar Two income taxes. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

11. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Final dividend	**228,798**	232,548

On 15 May 2025, a resolution to declare cash dividends was passed by the shareholders at the annual general meeting for the year ended 31 December 2024 with an amount of RMB5 per 10 ordinary shares (inclusive of related tax).

On 30 March 2026, the board of directors proposed a dividend for A share for the year ended 31 December 2025 of RMB5 per 10 shares (inclusive of related tax) which is subject to the approval by the shareholders in the Company annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding.

The calculation of the diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares arising from share incentive schemes into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2025 RMB'000	2024 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**585,117**	501,132
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation ('000)	**460,011**	455,097
Effect of dilution – weighted average number of ordinary shares:		
Restricted share scheme and employee stock ownership scheme ('000)	**439**	–
Total	**460,450**	455,097

* The weighted average number of shares was after taking into account the effect of treasury shares repurchased.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Office equipment and electronic devices RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025							
At 1 January 2025							
Cost	737,806	2,240,051	290,327	13,159	69,649	300,337	3,651,329
Accumulated depreciation	(116,129)	(906,263)	(197,305)	(6,112)	(19,723)	–	(1,245,532)
Net carrying amount	621,677	1,333,788	93,022	7,047	49,926	300,337	2,405,797
At 1 January 2025, net of accumulated depreciation	621,677	1,333,788	93,022	7,047	49,926	300,337	2,405,797
Additions	14,456	421,857	62,656	2,799	22,670	527,670	1,052,108
Transfers	–	22,127	–	–	32,758	(54,885)	–
Disposals	(548)	(9,207)	(1,343)	(317)	–	–	(11,415)
Acquisition of a subsidiary	16,093	2	–	–	–	–	16,095
Depreciation provided during the year	(35,091)	(312,146)	(32,024)	(1,521)	(25,697)	–	(406,479)
At 31 December 2025, net of accumulated depreciation	616,587	1,456,421	122,311	8,008	79,657	773,122	3,056,106
At 31 December 2025							
Cost	766,988	2,655,498	343,560	14,683	125,077	773,122	4,678,928
Accumulated depreciation	(150,401)	(1,199,077)	(221,249)	(6,675)	(45,420)	–	(1,622,822)
Net carrying amount	616,587	1,456,421	122,311	8,008	79,657	773,122	3,056,106

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Office equipment and electronic devices RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024							
Cost	368,879	1,870,406	258,596	8,162	35,862	430,354	2,972,259
Accumulated depreciation	(90,904)	(654,947)	(169,739)	(5,123)	(11,589)	–	(932,302)
Net carrying amount	277,975	1,215,459	88,857	3,039	24,273	430,354	2,039,957
At 1 January 2024, net of accumulated depreciation	277,975	1,215,459	88,857	3,039	24,273	430,354	2,039,957
Additions	–	367,944	37,363	5,148	32,988	266,995	710,438
Transfers	368,927	15,697	–	–	12,388	(397,012)	–
Disposals	–	(4,095)	(1,581)	–	–	–	(5,676)
Depreciation provided during the year	(25,225)	(261,217)	(31,617)	(1,140)	(19,723)	–	(338,922)
At 31 December 2024, net of accumulated depreciation	621,677	1,333,788	93,022	7,047	49,926	300,337	2,405,797
At 31 December 2024							
Cost	737,806	2,240,051	290,327	13,159	69,649	300,337	3,651,329
Accumulated depreciation	(116,129)	(906,263)	(197,305)	(6,112)	(19,723)	–	(1,245,532)
Net carrying amount	621,677	1,333,788	93,022	7,047	49,926	300,337	2,405,797

14. INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	**2,326**	2,463
Depreciation charge	**(138)**	(137)
Carrying amount at 31 December	**2,188**	2,326

The Group's investment properties consist of several buildings, parking lots and retail stores leased to third parties under operating leases.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings, machinery and motor vehicles used in its operations. Leases of lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings, machinery and motor vehicles generally have lease terms between 1 and 10 years. Other equipment generally has lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2024	435,045	233,374	–	–	668,419
Additions	–	78,777	–	–	78,777
Decrease arising from lease term termination	–	(7,112)	–	–	(7,112)
Depreciation charge	(8,988)	(75,579)	–	–	(84,567)
Exchange realignment	–	(244)	–	–	(244)
As at 31 December 2024 and 1 January 2025	**426,057**	**229,216**	**–**	**–**	**655,273**
Additions	**35,632**	**53,069**	**5,593**	**521**	**94,815**
Acquisition of a subsidiary	**20,134**	**–**	**–**	**–**	**20,134**
Decrease arising from lease term termination	**–**	**(1,968)**	**–**	**–**	**(1,968)**
Depreciation charge	**(9,544)**	**(82,158)**	**(591)**	**(73)**	**(92,366)**
Exchange realignment	**–**	**(1,944)**	**(24)**	**–**	**(1,968)**
As at 31 December 2025	**472,279**	**196,215**	**4,978**	**448**	**673,920**

As at 31 December 2025, certain of the Group's leasehold land with an aggregate carrying amount of approximately RMB354,989,000 (2024: RMB362,555,000) was pledged to secure interest-bearing bank borrowings granted to the Group (note 27).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount at the beginning of the year	**244,714**	243,298
New leases	**59,183**	78,777
Accretion of interest recognised during the year	**9,148**	9,824
Decrease arising from lease term termination	**(1,864)**	(3,352)
Payments	**(92,761)**	(83,833)
Carrying amount at the end of the year	**218,420**	244,714
Analysed into:		
Current portion	**56,472**	75,716
Non-current portion	**161,948**	168,998

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	**9,148**	9,824
Depreciation charge of right-of-use assets	**92,366**	84,567
Expenses relating to short-term leases and leases of low-value assets	**72,612**	81,636
Total amount recognised in profit or loss	**174,126**	176,027

(d) The total cash outflows for leases are set out in note 34 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

16. OTHER INTANGIBLE ASSETS

	Development costs	**Know-how**	**Software**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025				
Cost at 1 January 2025, net of accumulated amortisation	**–**	**–**	**32,999**	**32,999**
Additions	**18,566**	**–**	**41,895**	**60,461**
Disposals	**–**	**–**	**(12)**	**(12)**
Transfer	**(7,998)**	**7,998**	**–**	**–**
Amortisation provided during the year	**–**	**(267)**	**(21,950)**	**(22,217)**
Exchange realignment	**–**	**–**	**(128)**	**(128)**
At 31 December 2025	**10,568**	**7,731**	**52,804**	**71,103**
At 31 December 2025				
Cost	**10,568**	**7,998**	**163,253**	**181,819**
Accumulated amortisation	**–**	**(267)**	**(110,449)**	**(110,716)**
Net carrying amount	**10,568**	**7,731**	**52,804**	**71,103**
31 December 2024				
At 1 January 2024:				
Cost	–	–	108,148	108,148
Accumulated amortisation	–	–	(83,776)	(83,776)
Net carrying amount	–	–	24,372	24,372
Cost at 1 January 2024, net of accumulated amortisation	–	–	24,372	24,372
Additions	–	–	31,576	31,576
Amortisation provided during the year	–	–	(22,787)	(22,787)
Exchange realignment	–	–	(162)	(162)
At 31 December 2024	–	–	32,999	32,999
At 31 December 2024:				
Cost	–	–	133,619	133,619
Accumulated amortisation	–	–	(100,620)	(100,620)
Net carrying amount	–	–	32,999	32,999

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

17. INVESTMENTS IN AN ASSOCIATE

	2025 RMB'000	2024 RMB'000
Share of net assets	**601,922**	629,787

The associate of the Group are considered not individually material during the year and the following table illustrates the aggregate financial information of the Group's associate:

	2025 RMB'000	2024 RMB'000
Share of the associate's profit for the year	**31,533**	30,042
Share of the associate's other comprehensive income	**6,958**	(7,721)
Share of the associate's total comprehensive income	**38,491**	22,321
Aggregate carrying amount of the Group's investments in the associate	**601,922**	629,787

18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	**1,532,215**	1,579,402
Consigned processing materials	**102,270**	126,017
Work in progress	**20,008**	11,093
Finished goods	**360,160**	248,700
	2,014,653	1,965,212
Less: Provision for impairment losses on inventories	**(93,109)**	(83,587)
Total	**1,921,544**	1,881,625

The movements in provision:

	2025 RMB'000	2024 RMB'000
Carrying amount at the beginning of the year	**83,587**	77,491
Impairment losses recognised	**75,886**	70,970
Amounts written off	**(66,309)**	(64,874)
Exchange realignment	**(55)**	–
Carrying amount at the end of the year	**93,109**	83,587

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

19. TRADE AND BILLS RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	9,865,579	11,643,657
Bank bills receivable	21,312	96,928
	9,886,891	11,740,585
Less: Impairment losses	(9,240)	(8,073)
Net carrying amount	9,877,651	11,732,512

The Group's trading terms with its customers are mainly on credit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are interest free.

An ageing analysis of the Group's trade receivables and bank bills receivable as at the end of the reporting period, based on invoice date or bills received date, and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	9,872,836	11,732,510
Over 1 year	4,815	2
Total	9,877,651	11,732,512

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	8,073	13,456
Impairment losses recognised	1,261	1,410
Amount written off as uncollectible	–	(6,942)
Others	(94)	149
At end of year	9,240	8,073

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

The bank bills were issued by reputable banks and had short-term maturity. Accordingly, the identified impairment loss was not significant as at 31 December 2025.

The Group applies the simplified approach in calculating expected credit losses for trade receivables. Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance. Trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis was performed at 31 December 2025 using a provision matrix to measure expected credit losses. The provision rates are based on past due information for groupings of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than five years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2025

	Past due				
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
On a collective basis:					
Expected credit loss rate	0.05%	30%	–	–	0.07%
Gross carrying amount (RMB'000)	9,856,452	6,879	–	–	9,863,331
Expected credit losses (RMB'000)	4,928	2,064	–	–	6,992
On an individual basis:					
Expected credit loss rate					100.00%
Gross carrying amount (RMB'000)					2,248
Expected credit losses (RMB'000)					2,248

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2024

		Past due			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
On a collective basis:					
Expected credit loss rate	0.05%	–	75.00%	–	0.05%
Gross carrying amount (RMB'000)	11,641,401	–	8	–	11,641,409
Expected credit losses (RMB'000)	5,819	–	6	–	5,825
On an individual basis:					
Expected credit loss rate					100.00%
Gross carrying amount (RMB'000)					2,248
Expected credit losses (RMB'000)					2,248

The net carrying amounts due from related parties included in the above are as follows:

	2025 RMB'000	2024 RMB'000
Xiaomi corporation and its subsidiaries ("Xiaomi Group")	**3,522,303**	5,179,332
DBG Technology (India) Private Limited	**32,793**	66,368
DBG Technology Co., Ltd.	**1,852**	834
Zhenshi Information Technology (Shanghai) Co., Ltd.	**–**	70
Shanghai Moban Intelligent Technology Co., Ltd.	**–**	22
Shanghai Imilab Technology Co., Ltd.	**–**	15
	3,556,948	5,246,641

The balances are unsecured, interest-free and on credit terms similar to those offered to the major customers of the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Current portion:		
Deposits	15,876	22,722
Prepayments to suppliers	80,464	79,243
Other tax recoverable	419,400	257,317
Listing expenses	31,388	–
Others	40,208	22,587
	587,336	381,869
Impairment allowance	(40,690)	(40,688)
	546,646	341,181
Non-current portion:		
Prepayments for items of property, plant and equipment and other intangible assets	24,442	28,148
Deposits	10,827	–
	35,269	28,148
Impairment allowance	(541)	–
	34,728	28,148
Total	581,374	369,329

An impairment analysis was performed at 31 December 2025. Impairment allowance for prepayments, other receivables and other assets was mainly due to the uncollectibility of these receivables.

21. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Current portion		
Listed equity investments, at fair value	5,092	13,871
Structured deposits and wealth management products	3,285,715	1,371,031
	3,290,807	1,384,902
Non-current portion:		
Other unlisted investments, at fair value	383,682	242,652
	3,674,489	1,627,554

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading or as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

As at 31 December 2025, the structured deposits and wealth management products were issued by banks and securities companies. The listed equity investments were issued by listed companies and are publicly traded on the stock exchanges.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	2025 RMB'000	2024 RMB'000
Cash and cash equivalents		**4,987,902**	5,461,528
Time deposits		**–**	93,876
Restricted cash		**102,015**	41,442
Pledged deposits	27	**334,424**	1,222,947
Total		**5,424,341**	6,819,793

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents		
Denominated in RMB	**3,386,586**	3,972,575
Denominated in USD	**1,431,301**	1,394,114
Denominated in KRW	**1,265**	1,264
Denominated in HKD	**1,615**	4,358
Denominated in INR	**164,549**	83,308
Denominated in VND	**774**	3,128
Denominated in Euro ("EUR")	**90**	724
Denominated in JPY	**1,256**	1,914
Denominated in Singapore dollar ("SGD")	**466**	143
Total	**4,987,902**	5,461,528
Time deposits denominated in RMB	**–**	93,876
Restricted cash denominated in RMB	**102,015**	41,442
Pledged deposits denominated in RMB	**334,424**	1,222,947

The RMB is not freely convertible into other currencies, however, under the Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Short term time deposits are made depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. Cash at banks earns interest at floating rates based on daily bank deposit rates.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

The bank balances, time deposits and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2025, restricted cash was frozen fund by court order pursuant to civil rulings, frozen funds for wealth management products and frozen funds in loan custodian accounts.

23. TRADE AND BILLS PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	7,616,723	9,285,569
Bills payables	7,161,260	8,025,232
Total	14,777,983	17,310,801

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	14,732,523	17,281,571
1 to 2 years	38,218	17,595
2 to 3 years	1,293	6,256
Over 3 years	5,949	5,379
Total	14,777,983	17,310,801

The trade payables are interest-free and are normally settled within 30 to 90 days upon receipt of the invoice.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

23. TRADE AND BILLS PAYABLES (CONTINUED)

The net carrying amounts of due to related companies included in the above are as follows:

	2025 RMB'000	2024 RMB'000
DBG Technology Co., Ltd.	**57,424**	116,199
Xiaomi Group	**35,015**	33,357
DBG Technology (India) Private Limited	**540**	–
Shanghai Donghe Vegetable and Fruit Planting Professional Cooperative	**40**	–
Total	**93,019**	149,556

The balances are unsecured, interest-free and on credit terms similar to those offered to the major suppliers of the Group.

The Group entered into a supplier finance arrangement with Xiaomi Group, China Construction Bank ("Construction Bank"), China Merchants Bank ("Merchants Bank"), China CITIC Bank ("CITIC"), Shanghai Pudong Development Bank ("SPDB") and Bank of Shanghai ("BOS"), collectively referred to as the "factoring companies". Pursuant to the arrangement, Xiaomi Group, Construction Bank, Merchants Bank, CITIC, SPDB and BOS provided factoring on the trade receivables of the Group's suppliers with a total credit limit of up to RMB6.95 billion as at 31 December 2025.

Under these supplier finance arrangements, the Group's suppliers are eligible to have their undue accounts receivables from the Group factored by the factoring companies. Upon the Group's approval, the suppliers enter into accounts receivables transfer agreements with the factoring companies, whereby their corresponding accounts receivables are transferred from the Group to the factoring companies. The factoring companies settle the suppliers directly for the factored receivables. The Group subsequently made payments to the factoring companies to settle the factored accounts receivables owned by the suppliers. The credit periods of the above supplier finance arrangements are usually not more than 12 months.

All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables.

	2025 RMB'000	2024 RMB'000
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:		
Trade and bills payables	**3,848,856**	3,670,648
Of which suppliers have received payments	**797,586**	686,837

For financial liabilities that are part of the supplier finance arrangements included in trade and bills payables, there were no significant non-cash changes in the carrying amounts of these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

24. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Current portion:		
Payroll and welfare payable	474,733	377,267
Other tax payables	48,582	54,318
Deposits	25,485	24,644
Share repurchase obligation recognised	234,921	–
Accrued listing expenses	7,542	–
Others	9,781	5,307
	801,044	461,536
Non-current portion:		
Long-term payables for equipment	–	1,125
Total	801,044	462,661

Other payables in the current portion are interest-free, unsecured and repayable on demand.

25. CONTRACT LIABILITIES

	31 December 2025 RMB'000	31 December 2024 RMB'000	1 January 2024 RMB'000
Contract liabilities	62,934	9,445	24,101

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2025 Assets RMB'000	2025 Liabilities RMB'000
Foreign currency forward contracts	–	30,510

	2024 Assets RMB'000	2024 Liabilities RMB'000
Foreign currency forward contracts	726	27,636

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Year ended 31 December 2025

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge – Foreign currency risk

Foreign currency forward contracts are measured as hedging instruments in cash flow hedges of forecast sales and purchases in foreign currencies. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The source of ineffectiveness is primarily the timing difference between the hedged transaction and the maturity of the hedging instrument.

27. INTEREST-BEARING BANK BORROWINGS

	2025			2024		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings – secured	**0.68-3.50**	**2026**	**730,533**	0.78 – 6.30	2025	1,801,656
Current portion of long term bank borrowings – secured	**2.30-2.65**	**2026**	**299,368**	2.40 – 3.00	2025	5,004
Bank borrowings – unsecured	**0.54-2.20**	**2026**	**2,466,927**	–	–	–
Total – current			**3,496,828**			1,806,660
Non-current						
Bank borrowings – secured	**2.30-2.65**	**2027-2038**	**721,561**	2.40 – 3.00	2026 – 2030	694,717
			4,218,389			2,501,377

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27. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

	2025 RMB'000	2024 RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year	3,496,828	1,806,660
In the second year	203,673	296,480
In the third to fifth years, inclusive	114,256	385,000
Beyond five years	403,632	13,237
	4,218,389	2,501,377

Note:

As at 31 December 2025, the Group's leasehold land with an aggregate carrying amount of approximately RMB354,989,000 was pledged to secure interest-bearing bank borrowings granted to the Group.

28. DEFERRED INCOME

	2025	2024
Government grants		
Asset-related grants	134,245	163,180

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2025			
	Fair value adjustments RMB'000	Difference between accounting depreciation and related tax depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2025	3	989	17,868	18,860
Deferred tax charged/(credited) to profit or loss during the year (note 10)	10,800	(295)	(4,645)	5,860
Gross deferred tax liabilities at 31 December 2025	10,803	694	13,223	24,720

Deferred tax assets

	2025								
	Tax losses RMB'000	Impairment provision RMB'000	Fair value adjustments RMB'000	Deferred income RMB'000	Lease liabilities RMB'000	Difference between accounting depreciation and related tax depreciation RMB'000	Unrealised profit on intra-group transactions RMB'000	Share-based payments RMB'000	Total RMB'000
At 1 January 2025	87,688	28,782	28,253	38,638	19,163	2,080	2,135	–	206,739
Deferred tax credited/(charged) to profit or loss during the year (note 10)	31,224	(399)	(8,544)	(6,976)	(5,147)	(818)	(550)	9,336	18,126
Deferred tax credited to reserve during the year	–	–	–	–	–	–	–	1,541	1,541
Gross deferred tax assets at 31 December 2025	118,912	28,383	19,709	31,662	14,016	1,262	1,585	10,877	226,406

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

29. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	2024			
	Fair value adjustments RMB'000	Difference between accounting depreciation and related tax depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2024	5,172	1,306	11,522	18,000
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(5,169)	(317)	6,346	860
Gross deferred tax liabilities at 31 December 2024	3	989	17,868	18,860

Deferred tax assets

	2024								
	Tax losses RMB'000	Impairment provision RMB'000	Fair value adjustments RMB'000	Deferred income RMB'000	Lease liabilities RMB'000	Difference between accounting depreciation and related tax depreciation RMB'000	Unrealised profit on intra-group transactions RMB'000	Share-based payments RMB'000	Total RMB'000
At 1 January 2024	66,706	20,781	25,371	30,720	11,869	4,701	2,754	–	162,902
Deferred tax credited/(charged) to profit or loss during the year (note 10)	20,982	8,001	2,882	7,918	7,294	(2,621)	(619)	–	43,837
Gross deferred tax assets at 31 December 2024	87,688	28,782	28,253	38,638	19,163	2,080	2,135	–	206,739

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**201,697**	187,893
Net deferred tax liabilities recognised in the consolidated statement of financial position	**11**	14

Deferred tax assets of the Chinese mainland have not been recognised in respect of the following items:

	2025 RMB'000	2024 RMB'000
Tax losses	**349,125**	192,865
Deductible temporary differences	**147,471**	149,137
Total	**496,596**	342,002

The Group had tax losses arising in Chinese mainland of RMB192,865,000 and RMB349,125,000 as at 31 December 2024 and 2025, respectively, that will expire in one to ten years for offsetting against future taxable profits.

	2025 RMB'000	2024 RMB'000
2025	**–**	954
2026	**3,496**	3,496
2027	**25,102**	25,102
2028	**80,336**	80,336
2029	**50,024**	49,881
2030	**154,108**	–
2031-2035	**36,059**	33,096
	349,125	192,865

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

The Group has tax losses arising in Hong Kong, the United States and Singapore of RMB29,802,000 as at 31 December 2025 (2024: RMB105,962,000), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Vietnam of RMB24,148,000 as at 31 December 2025 (2024: RMB42,902,000), that will expire in one to five years for offsetting against future taxable profits, and tax losses of RMB513,000 in Japan as at 31 December 2025 (2024: RMB1,642,000).

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. SHARE CAPITAL

Shares

	2025 RMB'000	2024 RMB'000
Issued and fully paid:		
470,331,544 (2024: 465,096,544) ordinary shares of RMB1.00 each	**470,332**	465,097

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2024	405,096,544	405,097
Issue of shares (a)	60,000,000	60,000
At 31 December 2024 and 1 January 2025	465,096,544	465,097
Issue of shares (b)(c)	5,235,000	5,235
At 31 December 2025	**470,331,544**	**470,332**

Notes:

(a) On 21 February 2024, the Company issued 60,000,000 shares with a nominal value of RMB1.00 each in the public offering at an issue price of RMB26.00 per share for total proceeds of RMB1,560,000,000 before issuance expenses of RMB119,321,000.

(b) On 15 July 2025, the Company issued 4,285,000 shares with par value of RMB1.00 each for RMB19.34 per share for a total consideration of RMB82,872,000, and an amount of RMB78,587,000, representing the consideration received over the par value, net of share issue expenses, was credited to capital reserve.

(c) On 10 December 2025, the Company issued 950,000 shares with par value of RMB1.00 each for RMB19.34 per share for a total consideration of RMB18,373,000, and an amount of RMB17,423,000, representing the consideration received over the par value, net of share issue expenses, was credited to capital reserve.

(d) In January 2026, the Company successfully completed its public offering to issue 52,259,100 H-shares at an offer price of HKD31.00 per share on the Main Board of The Stock Exchange of Hong Kong Limited.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

31. SHARE-BASED PAYMENTS

Share Award Scheme

The Group adopted a share award scheme (the "**Share Award Scheme**") for certain employees of the Group ("**Share Incentive Participants**") in order to recognise the contributions of the Share Incentive Participants to the growth and development of the Group and incentivise them to further promote the development of the Group.

In order to implement the Share Award Scheme, Kunshan Longcheer Investment Management Center (Limited Partnership), Shanghai Qili Enterprise Management Partnership Enterprise (Limited Partnership), Shanghai Qizhuang Enterprise Management Partnership Enterprise (Limited Partnership), Shanghai Qili Enterprise Management Partnership Enterprise (Limited Partnership), Kunshan Qiyun Investment Management Center (Limited Partnership), Shanghai Qijing Enterprise Management Partnership Enterprise (Limited Partnership), Ningbo Meishan Bonded Port Area Qizhong Enterprise Management Partnership Enterprise (Limited Partnership), Shanghai Qixue Enterprise Management Partnership Enterprise (Limited Partnership), Ningbo Meishan Bonded Port Area Qifei Enterprise Management Partnership Enterprise (Limited Partnership) and Ningbo Meishan Bonded Port Area Qiyuan Enterprise Management Partnership Enterprise (Limited Partnership) were established and designated as custodian to hold the incentive shares awarded to the eligible participants.

Each grant of shares granted before 2025 shall vest on the later of: (i) five years from the grant date, or (ii) three years after the Company's successful listing on the Shanghai Stock Exchange. After taking into consideration the best estimation of timeline for the Company's successful listing, the management determined the vesting period of the relevant shares based on the above service requirements. As such, the share-based payment expenses are amortized during the vesting period.

Restricted share scheme

In May 2025, the Company's board of directors approved a restricted share scheme (the "**RSs**") and granted 4,285,000 shares to certain employees at a grant price of RMB19.34 per share. The participants were entitled to receive newly issued ordinary shares of the Company. The RSs granted would vest at rate of 30%, 30%, 40% upon the first, second and third anniversaries of the vesting commencement date, respectively, on condition that employees remain in service and certain non-market performance criteria is met. The performance goals are determined by the Company's board of directors. Evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share award expenses are then adjusted to reflect the revision of original estimates.

The Company is obliged to repurchase the shares from the employees with original granted price when vesting conditions are not met.

In November 2025, the Company granted further 950,000 shares to certain employees under the RSs at a grant price of RMB19.34 per share.

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Year ended 31 December 2025

31. SHARE-BASED PAYMENTS (CONTINUED)

Employee stock ownership scheme

In July 2025, the Company's directors approved an employee stock ownership scheme (the "ESOP") and granted 6,270,000 shares to certain employees at a grant price of RMB21.32 per share. Under this ESOP, the Company repurchased it's shares and granted to those eligible grantees which are being held on custody by the Company. The repurchased shares granted under the ESOP would be vested at rate of 30%, 30%, 40% upon the first, second and third anniversaries of the vesting commencement date, respectively, on condition that employees remain in service and certain non-market performance criteria is met. The performance goals are determined by the Company's director. Evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share award expenses are then adjusted to reflect the revision of original estimates. The Company is obliged to repurchase the shares from the employees with original granted price when vesting conditions are not met.

During the year, the shares granted to employees under the above share base payment arrangement are set out below. The difference between the fair value of the shares granted and the subscription price was recognised in the share-based payment reserve within equity with the corresponding "share-based payment expenses" in profit or loss.

Date granted	Number of shares granted	Subscription price RMB per share	Fair values on the grant date RMB per share	The basis for determining the fair value as of the grant date
26 May 2025	4,285,000	19.34	39.30	The closing price of the Company's shares on the last trading day before the shares grant date
4 July 2025	6,270,000	21.32	39.03	The closing price of the Company's shares on the last trading day before the shares grant date
20 November 2025	950,000	19.34	39.82	The closing price of the Company's shares on the last trading day before the shares grant date
	11,505,000			

Movements in the number of shares granted under the above share-based payments arrangements were as follows:

	Number of shares 2025	2024
At the beginning of the year	**21,205,048**	20,875,536
Granted during the year	**11,505,000**	1,167,512
Forfeited during the year	**(596,221)**	(838,000)
At the end of the year	**32,113,827**	21,205,048

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

32. RESERVES AND TREASURY SHARES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 98 to 99 of the financial statements.

Capital and other reserve

Capital and other reserve of the Group mainly represents the difference between the consideration received for capital paid up and the par value of the share, the share of capital reserves of associates, and the difference between the Group's consideration paid and the share of net asset attributable to the non-controlling interests then being acquired.

Statutory surplus reserve

In accordance with the Company Law of Chinese mainland, companies which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law, part of the statutory surplus reserve may be converted to capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Treasury shares

	Number of shares	**Treasury shares** RMB'000
At 1 January 2025		
Repurchase of shares (i)	**7,499,937**	**299,820**
Shares granted under a share award scheme (iii)	**(6,270,000)**	**(250,651)**
Share repurchase obligation recognised (ii) (iii) (iv)	**11,505,000**	**234,921**
At 31 December 2025	**12,734,937**	**284,090**

(i) The Company purchased 7,499,937 of its shares from the open market at a total consideration of RMB299,869,000.

(ii) In May 2025, the Company granted 4,285,000 new shares and issued to certain employees at a grant price of RMB19.34 per share under the RSs for an aggregate consideration of RMB82,872,000. A corresponding amount for shares repurchase obligation liability was recognised.

(iii) In July 2025, the Company granted 6,270,000 shares, which were repurchased by the Company from the open market for RMB250,651,000, to certain employees under the ESOP at a grant price of RMB21.32 per shares with an aggregate consideration of RMB133,676,000 and a corresponding amount for shares repurchase obligation liability was recognised. The difference between the original cost of treasury shares repurchased and the consideration received for the reissuance of these treasury shares under ESOP was debited to the capital reserve.

(iv) In November 2025, the Company granted 950,000 newly shares and issued to certain employees at a grant price of RMB19.34 per share under the RSs for an aggregate consideration of RMB18,373,000 which was received in December 2025. A corresponding share repurchase obligation liability was recognised.

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Year ended 31 December 2025

33. ACQUISITION OF A SUBSIDIARY THAT IS NOT A BUSINESS

In May 2025, the Group acquired the entire equity interest in Huizhou Longhe Technology Co., Ltd. from Shanghai Lilong Investment Management Co., Ltd. (上海利龍投資管理有限公司), a company of which Mr. Du Junhong (a director and shareholder of the Company) is an equity holder, for a total cash consideration of RMB57,765,000. The purpose of the acquisition was to acquire land and property to support the expansion of production base of the Group.

Details of assets purchased are included in note 13 and note 15(a).

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(57,765)
Cash and bank balances acquired	21,990
Net outflow of cash and cash equivalents included in cash flows from investing activities	(35,775)

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB59,183,000 (2024: RMB78,777,000) and RMB59,183,000 (2024: RMB78,777,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2025

	Interest-bearing bank borrowings RMB'000	**Lease liabilities RMB'000**	**Total RMB'000**
At 1 January 2025	**2,501,377**	**244,714**	**2,746,091**
Changes from financing cash flows	**1,913,108**	**(92,761)**	**1,820,347**
New leases	**–**	**59,183**	**59,183**
Lease term termination	**–**	**(1,864)**	**(1,864)**
Interest expense	**60,454**	**9,148**	**69,602**
Changes from operating cash flows	**7,800**	**–**	**7,800**
Derecognition for bills receivable	**(260,045)**	**–**	**(260,045)**
Foreign exchange difference	**(4,305)**	**–**	**(4,305)**
At 31 December 2025	**4,218,389**	**218,420**	**4,436,809**

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Year ended 31 December 2025

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (Continued)

2024

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	1,465,245	243,298	1,708,543
Changes from financing cash flows	986,991	(83,833)	903,158
New leases	–	78,777	78,777
Lease term termination	–	(3,352)	(3,352)
Interest expense	63,972	9,824	73,796
Foreign exchange difference	(14,831)	–	(14,831)
At 31 December 2024	2,501,377	244,714	2,746,091

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within operating activities	**68,937**	78,339
Within financing activities	**92,761**	83,833
Total	**161,698**	162,172

35. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance pending or threatened against any member of the Group.

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 15 and 22 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

37. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**432,727**	318,270

38. RELATED PARTY TRANSACTIONS

(a) Names of related parties and their relationships with the Group

Name	Relationship with the Group
DBG Technology (India) Private Limited	The Group holds 11.07% equity interest
惠州光弘科技股份有限公司 (DBG Technology Co., Ltd.)	The Group indirectly holds 10.63% of effective equity interest
深圳市旺鑫精密工業有限公司 (Shenzhen WangXin Precision Industrial Co., Ltd.)	The Group indirectly holds 2.16% of effective equity interest
小米集團 (Xiaomi Group)	Companies of which Mr. Lei Jun (beneficial shareholder of the Company) is an equity holder
東莞市獵聲電子科技有限公司 (Dongguan Liesheng Electronic Co., Ltd.)**	A company of which Mr. Liu De (a director of the Company) is a director
上海東禾九穀開心農場有限公司 (Shanghai Donghe Jiugu Happy Farm Co., Ltd.)	A company in which Mr. Du Junqi (a close family member of Mr. Du Junhong) has equity interest
上海東禾蔬果種植專業合作社 (Shanghai Donghe Vegetable and Fruit Planting Professional Cooperative)	A company in which Mr. Du Junqi (a close family member of Mr. Du Junhong) has equity interest
甄十信息科技(上海)有限公司 (Zhenshi Information Technology (Shanghai) Co., Ltd.)	A company of which Mr. Fan Haitao (a shareholder of the Company) is an equity holder
上海七十邁數字科技有限公司 (70mai Co., Ltd.)	A company of which Mr. Tang Xiaoxun (a shareholder of the Company) is an equity holder
上海創米數聯智能科技發展股份有限公司 (Shanghai Imilab Technology Co., Ltd.)	A company of which Mr. Deng Hua (a shareholder of the Company) is an equity holder
上海墨案智能科技有限公司 (Shanghai Moban Intelligent Technology Co., Ltd.)	Shanghai Lingxun Enterprise Management Center (Limited Partnership) (Mr. Du Junhong is a managing partner) holds 21.18% equity interest
惠州市龍和科技有限公司 (Huizhou Longhe Technology Co., Ltd.)*	A company of which Mr. Du Junhong is an equity holder
上海利龍投資管理有限公司 (Shanghai Lilong Investment Management Co., Ltd.)	A company of which Mr. Du Junhong is an equity holder

* Huizhou Longhe Technology Co., Ltd. has become a subsidiary of the Group since May 2025.

** Dongguan Liesheng Electrionic Co., Ltd. has no longer been a related company of the Group since February 2025 because Mr. Liu De resigned in February 2025.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group had the following transactions with related parties during the year:

Transactions with related parties	**2025 RMB'000**	2024 RMB'000
Purchases of products and processing services		
DBG Technology (India) Private Limited	**282,440**	678,742
DBG Technology Co., Ltd.	**219,928**	508,572
Total	**502,368**	1,187,314
Purchases of products		
Shenzhen WangXin Precision Industrial Co., Ltd.	**–**	428,755
Xiaomi Group	**514,340**	244,399
Dongguan Liesheng Electronic Co., Ltd.	**–**	3,100
Shanghai Donghe Jiugu Happy Farm Co., Ltd.	**238**	273
Shanghai Donghe Vegetable and Fruit Planting Professional Cooperative	**1,532**	46
Total	**516,110**	676,573
Provision of services or sales of products		
Xiaomi Group	**12,093,842**	17,261,692
Zhenshi Information Technology (ShangHai) Co., Ltd.	**300**	594
70mai Co., Ltd.	**2**	2
Total	**12,094,144**	17,262,288
Sales of products		
DBG Technology (India) Private Limited	**81,728**	195,197
DBG Technology Co., Ltd.	**7,107**	9,721
Shenzhen WangXin Precision Industrial Co., Ltd.	**–**	9,552
Shanghai Imilab Technology Co., Ltd.	**–**	57
Shanghai Moban Intelligent Technology Co., Ltd.	**3**	30
Total	**88,838**	214,557
Lease expenses		
Huizhou Longhe Technology Co., Ltd.	**1,356**	3,095

The transactions with related companies were made according to the published prices and conditions negotiated between the parties.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Saved as disclosed in note 19 and note 23 to the financial statements, balances with related parties are as follows:

	2025 RMB'000	2024 RMB'000
Due from related parties		
Trade-related		
Xiaomi Group	**380**	389

These balances are interest-free, unsecured and repayable on demand.

(d) Compensation of key management personnel of the Group:

	2025 RMB'000	2024 RMB'000
Fees	**388**	360
Other emoluments:		
Salaries, allowances and bonuses	**15,863**	11,891
Share-based payment expenses	**29,959**	21,732
Pension scheme contributions	**1,520**	1,263
Total	**47,730**	35,246

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2025

Financial assets

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Investments measured at fair value through profit or loss	–	3,674,489	–	3,674,489
Trade and bills receivables (note 19)	7,623	–	9,870,028	9,877,651
Financial assets included in prepayments, other receivables and other assets	–	–	64,791	64,791
Pledged deposits	–	–	334,424	334,424
Restricted cash	–	–	102,015	102,015
Cash and cash equivalents	–	–	4,987,902	4,987,902
Total	7,623	3,674,489	15,359,160	19,041,272

Financial liabilities

	Hedging instruments designated in cash flow hedges RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Derivative financial instruments designated as hedging instruments in cash flow hedges	30,510	–	30,510
Lease liabilities	–	218,420	218,420
Trade and bills payables	–	14,777,983	14,777,983
Financial liabilities included in other payables and accruals	–	277,729	277,729
Interest-bearing bank borrowings	–	4,218,389	4,218,389
Total	30,510	19,492,521	19,523,031

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2024

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	726	–	726
Investments measured at fair value through profit or loss	1,627,554	–	–	1,627,554
Trade and bills receivables (note 19)	–	–	11,732,512	11,732,512
Financial assets included in prepayments, other receivables and other assets	–	–	43,732	43,732
Pledged deposits	–	–	1,222,947	1,222,947
Restricted cash	–	–	41,442	41,442
Time deposits	–	–	93,876	93,876
Cash and cash equivalents	–	–	5,461,528	5,461,528
Total	1,627,554	726	18,596,037	20,224,317

Financial liabilities

	Hedging instruments designated in cash flow hedges RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Derivative financial instruments designated as hedging instruments in cash flow hedges	27,636	–	27,636
Lease liabilities	–	244,714	244,714
Trade and bills payables	–	17,310,801	17,310,801
Financial liabilities included in other payables and accruals	–	29,951	29,951
Interest-bearing bank borrowings	–	2,501,377	2,501,377
Total	27,636	20,086,843	20,114,479

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

40. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that were derecognised in their entirety

During the year, the Group endorsed certain bills receivable to certain suppliers in order to settle the trade payables with such suppliers and discounted certain bills receivable with commercial banks (collectively, the "Derecognised Bills") with carrying amounts in aggregate of RMB282,284,000. The Derecognised Bills had a maturity ranging from 1 to 12 months at the end of the reporting period. In accordance with the Law of Negotiable Instruments of the Chinese mainland, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons/entities who are liable for the Derecognised Bills, including the Group, regardless of the order of precedence (the "Continuing Involvement"). In the opinion of the Company's directors, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is their carrying amounts. In the opinion of the Company's directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

Transferred financial assets that were not derecognised in their entirety.

During the year, the Group discounted certain bills receivable accepted by banks in the Chinese mainland to commercial banks (the "Discounted Bills"). In the opinion of the Company's directors, the Group has retained substantially the risks and rewards, which include the default risks relating to those Discounted Bills, and accordingly, the Group continued to recognise the full carrying amounts of the Discounted Bills and the associated loans settled. Subsequent to the discounting, the Group has not retained any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the loans settled by the Discounted Bills during the year to which the commercial banks have recourse was RMB12,000,000.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, derivative financial instruments, investments measured at fair value through profit or loss, financial liabilities included in other payables and accruals, lease liabilities and short-term interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in financial assets at fair value through profit or loss, which represent listed equity investments in the secondary market, structured deposits and wealth management products issued by banks. The Group has estimated the fair value of equity investments in the secondary market based on the closing price in publicly traded markets on the balance sheet date. For structured deposits and wealth management products, since the historical actual returns are consistent with expected returns, the Group measures the fair value of structured deposits and wealth management products using the expected rate of return and the investment period.

The Group enters into derivative financial instruments with banks. Derivative financial instruments primarily consists of forward currency contracts. The fair values of derivative financial instruments are measured based on the valuation report obtained.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. As at 31 December 2025, the fair value and the carrying amount of the interest-bearing bank borrowings were RMB4,136,243,000 and RMB4,218,389,000 respectively and the changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings were assessed to be insignificant as at 31 December 2024. The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using significant observable inputs within Level 2.

The fair values of unlisted equity investments measured at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple, price to earnings ("P/E") multiple and price to sales ("P/S") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets				
Investments measured at fair value through profit or loss				
Unlisted equity investments	Market approach	Discounts for lack of marketability ("DLOM")	31 December 2024: 4% to 18%	1% increase or decrease in multiple would result in decrease or increase in fair value by RMB1,474,000
			31 December 2025: 10.53% to 17.58%	1% increase or decrease in multiple would result in decrease or increase in fair value by RMB1,584,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables	–	7,623	–	7,623
Listed equity investments	5,092	–	–	5,092
Structured deposits and wealth management products	–	3,285,715	–	3,285,715
Unlisted equity investments	–	–	383,682	383,682
Total	5,092	3,293,338	383,682	3,682,112

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	726	–	726
Listed equity investments	13,871	–	–	13,871
Structured deposits and wealth management products	–	1,371,031	–	1,371,031
Unlisted equity investments	–	–	242,652	242,652
Total	13,871	1,371,757	242,652	1,628,280

The movements in fair value measurements within Level 3 during the year are as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	242,652	318,526
Total gains/(losses) recognised in the statement of profit or loss	36,643	(18,685)
Purchases	118,121	10,000
Transfer into Level 1	(979)	(67,189)
Disposals	(12,755)	–
At 31 December	383,682	242,652

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities measured at fair value:

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Derivative financial instruments	–	**30,510**	–	**30,510**

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Derivative financial instruments	–	27,636	–	27,636

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than a derivative, comprise bank loans, other interest-bearing borrowings, and cash and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

If the interest rate of bank borrowings had increased/decreased by 50 basis points and all other variables were held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have increased/decreased by approximately RMB1,632,000 for the year ended 31 December 2025.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/(decrease) in basis points %	Increase/(decrease) in profit before tax RMB'000
2025		
If the USD weakens against the VND	5	874
If the USD strengthens against the VND	(5)	(874)
If the CNY weakens against the USD	5	(365)
If the CNY strengthens against the USD	(5)	365

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without specific verification procedures.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	9,886,891	9,886,891
Financial assets included in prepayments, other receivables and other assets					
– Normal**	66,911	–	–	–	66,911
Pledged deposits					
– Not yet past due	334,424	–	–	–	334,424
Restricted cash					
– Not yet past due	102,015	–	–	–	102,015
Cash and cash equivalents					
– Not yet past due	4,987,902	–	–	–	4,987,902
Total	5,491,252	–	–	9,886,891	15,378,143

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	11,740,585	11,740,585
Financial assets included in prepayments, other receivables and other assets					
– Normal**	45,309	–	–	–	45,309
Pledged deposits					
– Not yet past due	1,222,947	–	–	–	1,222,947
Restricted cash					
– Not yet past due	41,442	–	–	–	41,442
Time deposits					
– Not yet past due	93,876	–	–	–	93,876
Cash and cash equivalents					
– Not yet past due	5,461,528	–	–	–	5,461,528
Total	6,865,102	–	–	11,740,585	18,605,687

* For trade receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2025

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	**3,519,885**	**218,493**	**38,580**	**108,449**	**443,759**	**4,329,166**
Lease liabilities	**62,509**	**47,117**	**36,608**	**53,702**	**40,021**	**239,957**
Trade and bills payables	**14,777,983**	**–**	**–**	**–**	**–**	**14,777,983**
Financial liabilities included in other payables	**277,729**	**–**	**–**	**–**	**–**	**277,729**
Derivative financial instruments	**30,510**	**–**	**–**	**–**	**–**	**30,510**
Total	**18,668,616**	**265,610**	**75,188**	**162,151**	**483,780**	**19,655,345**

2024

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	1,824,037	312,430	222,648	168,212	13,413	2,540,740
Lease liabilities	84,171	51,436	34,742	43,799	62,048	276,196
Trade and bills payables	17,310,801	–	–	–	–	17,310,801
Financial liabilities included in other payables	29,951	–	–	–	–	29,951
Derivative financial instruments	27,636	–	–	–	–	27,636
Total	19,276,596	363,866	257,390	212,011	75,461	20,185,324

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, trade and bills payables, derivative financial instruments, other payables and accruals and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent.

The gearing ratios as at the end of the reporting periods were as follows:

	2025 **RMB'000**	2024 RMB'000
Trade and bills payables	**14,777,983**	17,310,801
Other payables and accruals	**801,044**	462,661
Derivative financial instruments	**30,510**	27,636
Interest-bearing bank borrowings	**4,218,389**	2,501,377
Lease liabilities	**218,420**	244,714
Less: Cash and cash equivalents	**(4,987,902)**	(5,461,528)
Net debt	**15,058,444**	15,085,661
Equity attributable to owners of the parent	**5,830,689**	5,600,773
Capital and net debt	**20,889,133**	20,686,434
Gearing ratio	**72%**	73%

43. EVENTS AFTER THE REPORTING PERIOD

Except for the dividend and subsequent listing event, as disclosed in note 11 and note 30, there is no other significant events took place subsequent to 31 December 2025.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**105,600**	81,458
Right-of-use assets	**11,539**	10,682
Other intangible assets	**34,334**	15,906
Investments in subsidiaries	**1,415,668**	1,386,008
Deferred tax assets	**77,428**	83,469
Investments measured at fair value through profit or loss	**209,987**	53,992
Prepayments, other receivables and other assets	**13,187**	9,497
Total non-current assets	**1,867,743**	1,641,012
CURRENT ASSETS		
Inventories	**5,041**	3,565
Trade and bills receivables	**1,183,017**	1,171,241
Prepayments, other receivables and other assets	**1,937,692**	1,877,855
Investments measured at fair value through profit or loss	**604,411**	554,298
Derivative financial instruments	**–**	726
Pledged deposits	**–**	98,524
Restricted cash	**3**	3
Time deposits	**–**	25,423
Cash and cash equivalents	**1,981,527**	1,359,001
Total current assets	**5,711,691**	5,090,636

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2025 RMB'000	2024 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	1,195,144	1,593,533
Contract liabilities	566	–
Other payables and accruals	2,185,876	1,142,805
Interest-bearing bank borrowings	344,535	42,835
Lease liabilities	6,145	6,731
Total current liabilities	3,732,266	2,785,904
NET CURRENT ASSETS	1,979,425	2,304,732
TOTAL ASSETS LESS CURRENT LIABILITIES	3,847,168	3,945,744
NON-CURRENT LIABILITIES		
Lease liabilities	5,485	3,939
Deferred income	1,528	1,051
Total non-current liabilities	7,013	4,990
Net assets	3,840,155	3,940,754
EQUITY		
Share capital	470,332	465,097
Treasury shares (note)	(284,090)	–
Reserves (note)	3,653,913	3,475,657
Total equity	3,840,155	3,940,754

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2025

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: A summary of the Company's reserves is as follows:

	Capital and other reserve RMB'000	Share-based payment reserve RMB'000	Cash flow hedge reserve RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total reserve RMB'000	Treasury shares RMB'000	Total RMB'000
As at 1 January 2024	1,055,598	194,293	(1,793)	140,405	714,915	2,103,418	–	2,103,418
Profit for the year	–	–	–	–	149,955	149,955	–	149,955
Cash flow hedges	–	–	2,519	–	–	2,519	–	2,519
Total comprehensive income for the year	–	–	2,519	–	149,955	152,474	–	152,474
Issue of shares	1,500,000	–	–	–	–	1,500,000	–	1,500,000
Share issue expenses	(119,321)	–	–	–	–	(119,321)	–	(119,321)
Share-based payments	–	71,634	–	–	–	71,634	–	71,634
Transfer from retained profits	–	–	–	14,995	(14,995)	–	–	–
Dividends declared	–	–	–	–	(232,548)	(232,548)	–	(232,548)
As at 31 December 2024 and 1 January 2025	2,436,277	265,927	726	155,400	617,327	3,475,657	–	3,475,657
Profit for the period	–	–	–	–	292,338	292,338	–	292,338
Cash flow hedges	–	–	(726)	–	–	(726)	–	(726)
Total comprehensive income for the year	–	–	(726)	–	292,338	291,612	–	291,612
Issue of shares	96,010	–	–	–	–	96,010	–	96,010
Share repurchased under a share award scheme	(49)	–	–	–	–	(49)	(299,820)	(299,869)
Shares repurchase obligation recognised	–	–	–	–	–	–	(234,921)	(234,921)
Proceeds from shares granted under a share award scheme	(116,975)	–	–	–	–	(116,975)	250,651	133,676
Share-based payments	1,541	134,915	–	–	–	136,456	–	136,456
Transfer from retained profits	–	–	–	29,234	(29,234)	–	–	–
Dividends declared	–	–	–	–	(228,798)	(228,798)	–	(228,798)
As at 31 December 2025	**2,416,804**	**400,842**	**–**	**184,634**	**651,633**	**3,653,913**	**(284,090)**	**3,369,823**

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2026.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this annual report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

"5G"	the fifth-generation mobile communication standard, also known as the fifth-generation mobile communication technology
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"AGM"	the forthcoming general meeting of the Company in 2026
"AI"	artificial intelligence, simulation of human intelligence by machine
"AIoT"	Artificial Intelligence of Things, the combination of AI technologies with the IoT infrastructure to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
"AI PC(s)"	personal computer(s) equipped with AI technologies
"AR"	augmented reality
"Articles of Association" or "Articles"	the articles of association of our Company adopted on June 9, 2025 and became effective upon the Listing Date and as amended from time to time
"A Share(s)" or "A-Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 per share, which are listed for trading on the Shanghai Stock Exchange and traded in Renminbi
"A-Share Listing"	public offering and listing of A Shares of our Company on the Shanghai Stock Exchange under the stock code 603341 on March 1, 2024
"Audit Committee"	the audit committee of the Board

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Board" or "Board of Directors"	the board of Directors of our Company
"China" or "the PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan of the PRC
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Shanghai Longcheer Technology Co., Ltd. (上海龍旗科技股份有限公司) (formerly known as Longcheer Technology (Shanghai) Limited (龍旗科技(上海)有限公司)), was established under the laws of the PRC with limited liability on October 27, 2004, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603341), and if the context requires, includes its predecessors
"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
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"design for manufacturability"	an engineering approach that optimizes product designs to simplify manufacturing, reduce costs, and improve quality by proactively addressing production constraints during the design phase
"Director(s)"	the director(s) of our Company
"ESG"	Environmental, Social and Governance
"EU"	European Union
"Employee Stock Ownership Scheme"	an A-Share employee stock ownership scheme approved by the Shareholders and adopted on May 26, 2025, the principal terms of which are set out in "Report of the Board of the Directors – Employee Stock Ownership Scheme" to this annual report
"Group" or "Longcheer Technology"	the Company and its subsidiaries

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are traded in HK dollars, and are listed on the Hong Kong Stock Exchange
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars," "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Internet of Things" or "IoT"	Internet of Things, which describes the network of devices that are embedded with sensors, software and other technologies for the purpose of connecting and exchanging data with other devices and systems over the Internet or other communications networks
"Kunshan Longcheer"	Kunshan Longcheer Investment Management Center (Limited Partnership) (昆山龍旗投資管理中心(有限合夥)), one of our Controlling Shareholders and a limited partnership organized in the PRC on December 25, 2014, the general partner of which is Shanghai Xinhe
"Kunshan Qiyun"	Kunshan Qiyun Investment Management Center (Limited Partnership) (昆山旗雲投資管理中心(有限合夥)), one of our Controlling Shareholders and a limited partnership organized in the PRC on December 2, 2014, the general partner of which is Mr. Ge
"Listing Date"	January 22, 2026, being the date of listing of the Company's H Shares on the Main Board of the Hong Kong Stock Exchange

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"manufacturing center(s)"	hub(s) for our manufacturing activities, including the centers in Huizhou, Nanchang, Vietnam, and India (in collaboration with a third-party electronic manufacturing services partner)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
"Nomination Committee"	the nomination committee of the Board
"ODM"	original design manufacturing
"OS"	operating system
"PCB"	printed circuit board, a flat plate or base of insulating material containing a pattern of conducting materials, which becomes an electronic circuit when components are soldered to it
"PCBA"	printed circuit board assembly, the fully assembled electronic circuit
"PC"	personal computer
"Remuneration and Assessment Committee"	the remuneration and assessment committee of the Board
"Reporting Period"	the financial year ended December 31, 2025
"Restricted Share Scheme"	the restricted A-Share Scheme approved by the Shareholders and adopted on May 26, 2025, the principal terms of which are set out in "Report of the Board of the Directors – movements in Restricted Shares Granted" to this annual report
"Restricted Share(s)"	the restricted A-Shares to be granted and issued as incentives to certain participants under the Restricted Share Scheme
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RTOS"	real-time operating system
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Shanghai Xinhe"	Shanghai Xinhe Enterprise Management Co., Ltd. (上海芯禾企業管理有限公司), one of our Controlling Shareholders and a limited liability company incorporated in the PRC on June 7, 2018, which is owned as to 51% by Mr. Du and as to 49% by Mr. Ge
"Share(s)" or "Ordinary Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"shipment"	in the context of the ODM shipment of our products, including complete units, semi-knocked down and completely knocked down
"SiP"	System-in-Package, an advanced semiconductor packaging technology that integrates multiple electronic components, such as processors, memory, sensors, and passive elements, into a single compact module. These components are connected internally, allowing the SiP to perform as a complete functional system while saving space and improving performance in electronic devices
"smart eyewear"	smart eyewear encompasses products such as AI glasses and smart head-mounted display devices capable of delivering augmented reality (AR), extended reality (ER), virtual reality (VR), and mixed reality (MR) experiences
"Strategy and ESG Committee"	the strategy and ESG committee of the Board
"TWS"	true wireless stereo, a wireless audio technology that enables the transmission of stereo sound signals via Bluetooth without the need for any physical cables
"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. dollars," "US$" or "USD"	United States dollars, the lawful currency of the United States
"XR"	extended reality
"%"	percent

In this annual report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial Shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules.