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## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LIGENT TECHNOLOGIES, INC., CITIGROUP GLOBAL MARKETS ASIA LIMITED, CITIC SECURITIES (HONG KONG) LIMITED AND CLSA LIMITED

### Introduction

We report on the historical financial information of Ligent Technologies, Inc. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 3 to 110, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 30 June 2026 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 3 to 110 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 14 September 2026 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and 30 June 2026 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

## Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2025 and other explanatory information (the "**Interim Comparative Financial Information**").

The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

## Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

### Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 3 have been made.

### Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

### No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.



Certified Public Accountants  
Hong Kong  
14 September 2026

## **I HISTORICAL FINANCIAL INFORMATION**

### **Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

|                                                                               | Notes | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-------------------------------------------------------------------------------|-------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| REVENUE                                                                       | 5     | 4,238,989                                    | 5,086,600                                    | 8,354,680                                    | 4,215,825                                                     | 5,392,648                                      |
| Cost of sales                                                                 |       | <u>(3,365,077)</u>                           | <u>(4,203,511)</u>                           | <u>(6,682,449)</u>                           | <u>(3,427,738)</u>                                            | <u>(4,086,598)</u>                             |
| Gross profit                                                                  |       | 873,912                                      | 883,089                                      | 1,672,231                                    | 788,087                                                       | 1,306,050                                      |
| Other income and gains                                                        | 6     | 121,622                                      | 105,924                                      | 141,373                                      | 76,390                                                        | 72,760                                         |
| Gains on disposal of a joint venture                                          | 16    | -                                            | -                                            | 352,785                                      | 352,785                                                       | -                                              |
| Selling and marketing expenses                                                |       | (68,387)                                     | (60,452)                                     | (78,051)                                     | (46,719)                                                      | (39,100)                                       |
| Research and development expenses                                             |       | (553,278)                                    | (623,132)                                    | (663,730)                                    | (341,807)                                                     | (319,973)                                      |
| Administrative expenses                                                       |       | (188,840)                                    | (164,107)                                    | (322,138)                                    | (149,251)                                                     | (170,552)                                      |
| Reversal of impairment/(impairment) of financial assets, net                  |       | 1,247                                        | (1,315)                                      | (183)                                        | (725)                                                         | 8                                              |
| Impairment of property, plant and equipment                                   | 7     | -                                            | (7,456)                                      | (4,216)                                      | -                                                             | (2,580)                                        |
| (Impairment)/reversal of impairment of contract assets, net                   | 7     | (736)                                        | 1,917                                        | (295)                                        | (28)                                                          | (926)                                          |
| Fair value loss on financial liabilities at fair value through profit or loss |       | (30,038)                                     | (12,045)                                     | (116,274)                                    | (106,650)                                                     | -                                              |
| Other expenses and losses                                                     | 6     | (16,443)                                     | (22,757)                                     | (12,535)                                     | (9,922)                                                       | (34,778)                                       |
| Finance costs                                                                 | 8     | (28,420)                                     | (56,416)                                     | (47,383)                                     | (35,526)                                                      | (16,977)                                       |
| Share of profits of a joint venture                                           |       | <u>131,860</u>                               | <u>55,149</u>                                | <u>-</u>                                     | <u>-</u>                                                      | <u>-</u>                                       |
| PROFIT BEFORE TAX                                                             | 7     | 242,499                                      | 98,399                                       | 921,584                                      | 526,634                                                       | 793,932                                        |
| Income tax expenses                                                           | 11    | <u>(26,978)</u>                              | <u>(8,909)</u>                               | <u>(48,944)</u>                              | <u>(17,094)</u>                                               | <u>(132,941)</u>                               |
| PROFIT FOR THE YEAR/PERIOD                                                    |       | <u>215,521</u>                               | <u>89,490</u>                                | <u>872,640</u>                               | <u>509,540</u>                                                | <u>660,991</u>                                 |
| Attributable to:                                                              |       |                                              |                                              |                                              |                                                               |                                                |
| Owners of the parent                                                          |       | 215,521                                      | 89,490                                       | 875,869                                      | 509,540                                                       | 656,102                                        |
| Non-controlling interests                                                     |       | <u>-</u>                                     | <u>-</u>                                     | <u>(3,229)</u>                               | <u>-</u>                                                      | <u>4,889</u>                                   |
|                                                                               |       | <u>215,521</u>                               | <u>89,490</u>                                | <u>872,640</u>                               | <u>509,540</u>                                                | <u>660,991</u>                                 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT      |       |                                              |                                              |                                              |                                                               |                                                |
| Basic/diluted (RMB)                                                           | 13    | <u>0.29</u>                                  | <u>0.12</u>                                  | <u>1.13</u>                                  | <u>0.68</u>                                                   | <u>0.81</u>                                    |

# **I HISTORICAL FINANCIAL INFORMATION (continued)**

## **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|                                                                                                       | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| PROFIT FOR THE<br>YEAR/PERIOD                                                                         | <u>215,521</u>                               | <u>89,490</u>                                | <u>872,640</u>                               | <u>509,540</u>                                                | <u>660,991</u>                                 |
| OTHER COMPREHENSIVE<br>INCOME                                                                         |                                              |                                              |                                              |                                                               |                                                |
| Other comprehensive income<br>that may be reclassified to<br>profit or loss in subsequent<br>periods: |                                              |                                              |                                              |                                                               |                                                |
| Exchange differences on<br>translation of foreign<br>operations                                       | <u>3,518</u>                                 | <u>7,251</u>                                 | <u>2,292</u>                                 | <u>3,205</u>                                                  | <u>(30,854)</u>                                |
| OTHER COMPREHENSIVE<br>INCOME FOR THE<br>YEAR/PERIOD, NET OF TAX                                      | <u>3,518</u>                                 | <u>7,251</u>                                 | <u>2,292</u>                                 | <u>3,205</u>                                                  | <u>(30,854)</u>                                |
| TOTAL COMPREHENSIVE<br>INCOME FOR THE<br>YEAR/PERIOD                                                  | <u>219,039</u>                               | <u>96,741</u>                                | <u>874,932</u>                               | <u>512,745</u>                                                | <u>630,137</u>                                 |
| Attributable to:                                                                                      |                                              |                                              |                                              |                                                               |                                                |
| Owners of the parent                                                                                  | 219,039                                      | 96,741                                       | 878,161                                      | 512,745                                                       | 625,248                                        |
| Non-controlling interests                                                                             | <u>-</u>                                     | <u>-</u>                                     | <u>(3,229)</u>                               | <u>-</u>                                                      | <u>4,889</u>                                   |
|                                                                                                       | <u>219,039</u>                               | <u>96,741</u>                                | <u>874,932</u>                               | <u>512,745</u>                                                | <u>630,137</u>                                 |

# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

|                                                            | Notes | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|------------------------------------------------------------|-------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| <b>NON-CURRENT ASSETS</b>                                  |       |                                |                                |                                |                            |
| Property, plant and equipment                              | 14    | 749,970                        | 1,317,877                      | 1,305,413                      | 1,473,809                  |
| Right-of-use assets                                        | 15(a) | 61,964                         | 98,216                         | 97,584                         | 133,071                    |
| Goodwill                                                   | 19    | 26,468                         | 26,468                         | 26,468                         | 26,468                     |
| Investment in a joint venture                              | 16    | 371,182                        | 347,215                        | -                              | -                          |
| Other intangible assets                                    | 17    | 6,389                          | 7,126                          | 14,524                         | 12,748                     |
| Deferred tax assets                                        | 21    | 3,941                          | 9,159                          | 2,203                          | 34,102                     |
| Prepayments and other receivables                          | 20    | 67,848                         | 39,867                         | 78,161                         | 836,672                    |
| Total non-current assets                                   |       | 1,287,762                      | 1,845,928                      | 1,524,353                      | 2,516,870                  |
| <b>CURRENT ASSETS</b>                                      |       |                                |                                |                                |                            |
| Inventories                                                | 26    | 1,060,615                      | 1,745,997                      | 2,426,376                      | 3,174,687                  |
| Trade and bills receivables                                | 25    | 1,191,101                      | 1,983,834                      | 1,780,638                      | 2,412,080                  |
| Contract assets                                            | 27    | 3,649                          | 2,000                          | 1,265                          | 256                        |
| Prepayments and other receivables                          | 20    | 1,324,066                      | 1,850,023                      | 267,729                        | 1,232,269                  |
| Financial assets at fair value through profit or loss      | 22    | 431,461                        | -                              | 400,737                        | -                          |
| Derivative financial instruments                           | 24    | 2,959                          | 644                            | 2,064                          | 5,716                      |
| Time deposits                                              | 23    | -                              | 11,380                         | 11,580                         | 27,010                     |
| Pledged deposits                                           | 23    | 40,738                         | 59,157                         | 54,785                         | 56,054                     |
| Cash and cash equivalents                                  | 23    | 138,503                        | 260,906                        | 1,273,617                      | 1,584,152                  |
| Total current assets                                       |       | 4,193,092                      | 5,913,941                      | 6,218,791                      | 8,492,224                  |
| <b>CURRENT LIABILITIES</b>                                 |       |                                |                                |                                |                            |
| Trade and bills payables                                   | 29    | 1,197,094                      | 1,679,067                      | 2,719,383                      | 3,055,191                  |
| Other payables and accruals                                | 30    | 660,802                        | 795,519                        | 519,936                        | 678,886                    |
| Financial liabilities at fair value through profit or loss | 31    | 414,132                        | 404,223                        | -                              | -                          |
| Derivative financial instruments                           | 24    | 746                            | 4,177                          | 254                            | 370                        |
| Interest-bearing bank and other borrowings                 | 28    | 490,970                        | 1,594,594                      | -                              | 771,311                    |
| Lease liabilities                                          | 15(b) | 10,010                         | 19,050                         | 25,745                         | 43,321                     |
| Tax payables                                               |       | 281                            | 6,884                          | -                              | 34,592                     |
| Total current liabilities                                  |       | 2,774,035                      | 4,503,514                      | 3,265,318                      | 4,583,671                  |

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# **I HISTORICAL FINANCIAL INFORMATION (continued)**

## **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**

|                                                | Notes | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|------------------------------------------------|-------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| NET CURRENT ASSETS                             |       | 1,419,057                      | 1,410,427                      | 2,953,473                      | 3,908,553                  |
| TOTAL ASSETS LESS<br>CURRENT LIABILITIES       |       | 2,706,819                      | 3,256,355                      | 4,477,826                      | 6,425,423                  |
| NON-CURRENT LIABILITIES                        |       |                                |                                |                                |                            |
| Deferred income                                |       | 18,628                         | 19,519                         | 90,385                         | 70,268                     |
| Other payables and accruals                    | 30    | -                              | -                              | -                              | 265,928                    |
| Interest-bearing bank and other<br>borrowings  | 28    | 710,000                        | 1,240,500                      | -                              | 979,466                    |
| Lease liabilities                              | 15(b) | 39,780                         | 68,060                         | 61,476                         | 76,984                     |
| Pillar Two tax liabilities                     |       | -                              | -                              | -                              | 20,321                     |
| Deferred tax liabilities                       | 21    | 4,674                          | -                              | 29,291                         | 86,285                     |
| Redemption liabilities                         | 32    | -                              | -                              | 538,952                        | 538,312                    |
| Other non-current liabilities                  |       | 163                            | -                              | -                              | -                          |
| Total non-current liabilities                  |       | 773,245                        | 1,328,079                      | 720,104                        | 2,037,564                  |
| NET ASSETS                                     |       | 1,933,574                      | 1,928,276                      | 3,757,722                      | 4,387,859                  |
| EQUITY                                         |       |                                |                                |                                |                            |
| Equity attributable to owners of<br>the parent |       |                                |                                |                                |                            |
| Share capital                                  | 33    | 100,744                        | 100,744                        | 109,134                        | 109,134                    |
| Treasury shares                                | 34    | -                              | (6,980)                        | -                              | -                          |
| Reserves                                       | 35    | 1,832,830                      | 1,834,512                      | 3,595,822                      | 4,221,070                  |
|                                                |       | 1,933,574                      | 1,928,276                      | 3,704,956                      | 4,330,204                  |
| Non-controlling interests                      |       | -                              | -                              | 52,766                         | 57,655                     |
| Total equity                                   |       | 1,933,574                      | 1,928,276                      | 3,757,722                      | 4,387,859                  |



# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

| Notes                                              | Attributable to owners of the parent |                      |                      |                                |                               |                   | Total equity<br>RMB'000 |
|----------------------------------------------------|--------------------------------------|----------------------|----------------------|--------------------------------|-------------------------------|-------------------|-------------------------|
|                                                    | Share capital                        | Capital reserve*     | Treasury shares      | Share - based payment reserve* | Exchange fluctuation reserve* | Retained profits* |                         |
|                                                    | RMB'000                              | RMB'000<br>(Note 35) | RMB'000<br>(Note 34) | RMB'000<br>(Note 36)           | RMB'000                       | RMB'000           |                         |
| At 1 January 2023                                  | 100,744                              | 502,354              | -                    | 101,061                        | (15,387)                      | 1,227,200         | 1,915,972               |
| Profit for the year                                | -                                    | -                    | -                    | -                              | -                             | 215,521           | 215,521                 |
| Other comprehensive income for the year:           |                                      |                      |                      |                                |                               |                   |                         |
| Exchange differences related to foreign operations | -                                    | -                    | -                    | -                              | 3,518                         | -                 | 3,518                   |
| Total comprehensive income for the year            | -                                    | -                    | -                    | -                              | 3,518                         | 215,521           | 219,039                 |
| Dividend declared                                  | 12                                   | -                    | 46,083               | -                              | -                             | (259,420)         | (213,337)               |
| Recognition of share-based payments                | 36                                   | -                    | 3,448                | -                              | 3,669                         | -                 | 7,117                   |
| Proceeds of exercise of share awards               |                                      | -                    | 4,783                | -                              | -                             | -                 | 4,783                   |
| At 31 December 2023                                | <u>100,744</u>                       | <u>556,668</u>       | <u>-</u>             | <u>104,730</u>                 | <u>(11,869)</u>               | <u>1,183,301</u>  | <u>1,933,574</u>        |

Year ended 31 December 2024

| Notes                                              | Attributable to owners of the parent |                      |                      |                                |                               |                   | Total equity<br>RMB'000 |
|----------------------------------------------------|--------------------------------------|----------------------|----------------------|--------------------------------|-------------------------------|-------------------|-------------------------|
|                                                    | Share capital                        | Capital reserve*     | Treasury shares      | Share - based payment reserve* | Exchange fluctuation reserve* | Retained profits* |                         |
|                                                    | RMB'000                              | RMB'000<br>(Note 35) | RMB'000<br>(Note 34) | RMB'000<br>(Note 36)           | RMB'000                       | RMB'000           |                         |
| As at 1 January 2024                               | 100,744                              | 556,668              | -                    | 104,730                        | (11,869)                      | 1,183,301         | 1,933,574               |
| Profit for the year                                | -                                    | -                    | -                    | -                              | -                             | 89,490            | 89,490                  |
| Other comprehensive income for the year:           |                                      |                      |                      |                                |                               |                   |                         |
| Exchange differences related to foreign operations | -                                    | -                    | -                    | -                              | 7,251                         | -                 | 7,251                   |
| Total comprehensive income for the year            | -                                    | -                    | -                    | -                              | 7,251                         | 89,490            | 96,741                  |
| Dividend declared                                  | 12                                   | -                    | 21,953               | -                              | -                             | (123,580)         | (101,627)               |
| Recognition of share-based payments                | 36                                   | -                    | 4,540                | -                              | 2,028                         | -                 | 6,568                   |
| Purchase of treasury shares                        |                                      | -                    | (6,980)              | -                              | -                             | -                 | (6,980)                 |
| As at 31 December 2024                             | <u>100,744</u>                       | <u>583,161</u>       | <u>(6,980)</u>       | <u>106,758</u>                 | <u>(4,618)</u>                | <u>1,149,211</u>  | <u>1,928,276</u>        |

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# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 December 2025

| Notes                                                          | Attributable to owners of the parent |                      |                      |                               |                               |                   | Non-controlling interests | Total equity     |
|----------------------------------------------------------------|--------------------------------------|----------------------|----------------------|-------------------------------|-------------------------------|-------------------|---------------------------|------------------|
|                                                                | Share capital                        | Capital reserve*     | Treasury shares      | Share -based payment reserve* | Exchange fluctuation reserve* | Retained profits* |                           |                  |
|                                                                | RMB'000                              | RMB'000<br>(Note 35) | RMB'000<br>(Note 34) | RMB'000<br>(Note 36)          | RMB'000                       | RMB'000           | RMB'000                   | RMB'000          |
| As at 1 January 2025                                           | 100,744                              | 583,161              | (6,980)              | 106,758                       | (4,618)                       | 1,149,211         | -                         | 1,928,276        |
| Profit for the year                                            | -                                    | -                    | -                    | -                             | -                             | 875,869           | (3,229)                   | 872,640          |
| Other comprehensive income for the year:                       |                                      |                      |                      |                               |                               |                   |                           |                  |
| Exchange differences related to foreign operations             | -                                    | -                    | -                    | -                             | 2,292                         | -                 | -                         | 2,292            |
| Total comprehensive income for the year                        | -                                    | -                    | -                    | -                             | 2,292                         | 875,869           | (3,229)                   | 874,932          |
| Issue of shares                                                | 8,390                                | 771,610              | -                    | -                             | -                             | -                 | -                         | 780,000          |
| Dividend declared                                              | 12                                   | 9,108                | -                    | -                             | -                             | (51,273)          | -                         | (42,165)         |
| Termination of redemption rights of financial liabilities      | 31                                   | (319,270)            | -                    | -                             | -                             | 830,658           | -                         | 511,388          |
| Recognition of redemption liabilities of the Company's shares  | 32                                   | (320,946)            | -                    | -                             | -                             | -                 | -                         | (320,946)        |
| Recognition of redemption liabilities of a subsidiary's shares | 32                                   | (213,850)            | -                    | -                             | -                             | -                 | -                         | (213,850)        |
| Contribution from non-controlling interests                    | -                                    | 164,005              | -                    | -                             | -                             | -                 | 55,995                    | 220,000          |
| Proceed of exercise of share-based payment                     | -                                    | -                    | 6,980                | -                             | -                             | -                 | -                         | 6,980            |
| Recognition of share-based payments                            | 36                                   | 3,525                | -                    | 9,582                         | -                             | -                 | -                         | 13,107           |
| As at 31 December 2025                                         | <u>109,134</u>                       | <u>677,343</u>       | <u>-</u>             | <u>116,340</u>                | <u>(2,326)</u>                | <u>2,804,465</u>  | <u>52,766</u>             | <u>3,757,722</u> |

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# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Six months ended 30 June 2025 (unaudited)

| Notes                                                          | Attributable to owners of the parent |                                          |                                         |                                                       |                                          |                              |                  | Non-controlling interests<br>RMB'000 | Total equity<br>RMB'000 |
|----------------------------------------------------------------|--------------------------------------|------------------------------------------|-----------------------------------------|-------------------------------------------------------|------------------------------------------|------------------------------|------------------|--------------------------------------|-------------------------|
|                                                                | Share capital<br>RMB'000             | Capital reserve*<br>RMB'000<br>(Note 35) | Treasury shares<br>RMB'000<br>(Note 34) | Share -based payment reserve*<br>RMB'000<br>(Note 36) | Exchange fluctuation reserve*<br>RMB'000 | Retained profits*<br>RMB'000 | Total<br>RMB'000 |                                      |                         |
| As at 1 January 2025                                           | 100,744                              | 583,161                                  | (6,980)                                 | 106,758                                               | (4,618)                                  | 1,149,211                    | 1,928,276        | -                                    | 1,928,276               |
| Profit for the period (unaudited)                              | -                                    | -                                        | -                                       | -                                                     | -                                        | 509,540                      | 509,540          | -                                    | 509,540                 |
| Other comprehensive income for the period:                     |                                      |                                          |                                         |                                                       |                                          |                              |                  |                                      |                         |
| Exchange differences related to foreign operations (unaudited) | -                                    | -                                        | -                                       | -                                                     | 3,205                                    | -                            | 3,205            | -                                    | 3,205                   |
| Total comprehensive income for the period (unaudited)          | -                                    | -                                        | -                                       | -                                                     | 3,205                                    | 509,540                      | 512,745          | -                                    | 512,745                 |
| Dividend declared (unaudited)                                  | 12                                   | 9,108                                    | -                                       | -                                                     | -                                        | (51,273)                     | (42,165)         | -                                    | (42,165)                |
| Proceed of exercise of share-based payment (unaudited)         | -                                    | -                                        | 6,677                                   | -                                                     | -                                        | -                            | 6,677            | -                                    | 6,677                   |
| Recognition of share-based payments (unaudited)                | -                                    | 2,461                                    | -                                       | 9,582                                                 | -                                        | -                            | 12,043           | -                                    | 12,043                  |
| As at 30 June 2025 (unaudited)                                 | <u>100,744</u>                       | <u>594,730</u>                           | <u>(303)</u>                            | <u>116,340</u>                                        | <u>(1,413)</u>                           | <u>1,607,478</u>             | <u>2,417,576</u> | <u>-</u>                             | <u>2,417,576</u>        |

continued/...

# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Six months ended 30 June 2026

|                                                    | Attributable to owners of the parent |                      |                               |                               |                   | Non-controlling interests | Total equity     |
|----------------------------------------------------|--------------------------------------|----------------------|-------------------------------|-------------------------------|-------------------|---------------------------|------------------|
|                                                    | Share capital                        | Capital reserve*     | Share -based payment reserve* | Exchange fluctuation reserve* | Retained profits* |                           |                  |
|                                                    | RMB'000                              | RMB'000<br>(Note 35) | RMB'000<br>(Note 36)          | RMB'000                       | RMB'000           | RMB'000                   | RMB'000          |
| As at 1 January 2026                               | 109,134                              | 677,343              | 116,340                       | (2,326)                       | 2,804,465         | 52,766                    | 3,757,722        |
| Profit for the period                              | -                                    | -                    | -                             | -                             | 656,102           | 4,889                     | 660,991          |
| Other comprehensive income for the period:         |                                      |                      |                               |                               |                   |                           |                  |
| Exchange differences related to foreign operations | -                                    | -                    | -                             | (30,854)                      | -                 | -                         | (30,854)         |
| Total comprehensive income for the period          | -                                    | -                    | -                             | (30,854)                      | 656,102           | 4,889                     | 630,137          |
| As at 30 June 2026                                 | <u>109,134</u>                       | <u>677,343</u>       | <u>116,340</u>                | <u>(33,180)</u>               | <u>3,460,567</u>  | <u>57,655</u>             | <u>4,387,859</u> |

\* These reserve accounts comprise the consolidated reserves of RMB1,832,830,000, RMB1,834,512,000, RMB3,595,822,000 and RMB4,221,070,000 in the consolidated statements of financial position as at 31 December 2023, 2024, 2025 and 30 June 2026, respectively.

# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

|       |                                                                                                | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-------|------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Notes |                                                                                                |                                              |                                              |                                              |                                                               |                                                |
|       | CASH FLOWS FROM                                                                                |                                              |                                              |                                              |                                                               |                                                |
|       | OPERATING ACTIVITIES                                                                           |                                              |                                              |                                              |                                                               |                                                |
|       | Profit before tax                                                                              | 242,499                                      | 98,399                                       | 921,584                                      | 526,634                                                       | 793,932                                        |
|       | Adjustments for:                                                                               |                                              |                                              |                                              |                                                               |                                                |
|       | Finance costs                                                                                  | 8 28,420                                     | 56,416                                       | 47,383                                       | 35,526                                                        | 16,977                                         |
|       | Share of profits of a joint venture                                                            | (131,860)                                    | (55,149)                                     | -                                            | -                                                             | -                                              |
|       | Interest income                                                                                | 6 (27,068)                                   | (40,320)                                     | (22,539)                                     | (19,905)                                                      | (3,404)                                        |
|       | Loss on fair value changes of<br>financial liabilities at fair value<br>through profit or loss | 30,038                                       | 12,045                                       | 116,274                                      | 106,650                                                       | -                                              |
|       | Loss on disposal of property, plant<br>and equipment, net                                      | 6 1,176                                      | 2,554                                        | 1,984                                        | 737                                                           | 380                                            |
|       | Gain on early termination of leases                                                            | 6 -                                          | -                                            | (1,602)                                      | (1,598)                                                       | -                                              |
|       | Gain on disposal of derivative<br>financial instruments                                        | 6 (12)                                       | -                                            | (462)                                        | (32)                                                          | (1,511)                                        |
|       | Loss on disposal of derivative<br>financial instruments                                        | 6 9,726                                      | 1,794                                        | 5,089                                        | 1,513                                                         | 1,116                                          |
|       | Gains on disposal of financial<br>assets at fair value through profit<br>or loss               | 6 (4,035)                                    | (3,643)                                      | (750)                                        | (399)                                                         | (5,615)                                        |
|       | Gains on disposal of a joint<br>venture                                                        | 16 -                                         | -                                            | (352,785)                                    | (352,785)                                                     | -                                              |
|       | Fair value gains on derivative<br>financial instruments                                        | 6 (2,959)                                    | (61)                                         | (2,064)                                      | (2,166)                                                       | (4,859)                                        |
|       | Fair value losses on derivative<br>financial instruments                                       | 6 746                                        | 4,177                                        | 254                                          | 4,734                                                         | 227                                            |
|       | Fair value gains on financial<br>assets at fair value through profit<br>or loss                | 6 (2,461)                                    | -                                            | (737)                                        | -                                                             | -                                              |
|       | Depreciation of property, plant and<br>equipment                                               | 7 167,569                                    | 225,838                                      | 311,973                                      | 148,403                                                       | 187,283                                        |
|       | Depreciation of right-of-use assets                                                            | 7 12,702                                     | 15,145                                       | 19,132                                       | 8,318                                                         | 20,804                                         |
|       | Amortization of other intangible<br>assets                                                     | 7 2,854                                      | 2,628                                        | 4,359                                        | 1,230                                                         | 2,208                                          |
|       | (Reversal of<br>Impairment)/impairment of trade<br>and bills receivables, net                  | 7 (1,531)                                    | 632                                          | 647                                          | 812                                                           | 5                                              |
|       | Impairment/(reversal of<br>Impairment) of other<br>receivables, net                            | 7 284                                        | 683                                          | (464)                                        | (88)                                                          | (13)                                           |
|       | Impairment of property, plant and<br>equipment                                                 | 7 -                                          | 7,456                                        | 4,216                                        | -                                                             | 2,580                                          |
|       | Impairment/(reversal of<br>impairment) of contract assets,<br>net                              | 7 736                                        | (1,917)                                      | 295                                          | 28                                                            | 926                                            |
|       | Provision for inventories                                                                      | 7 45,349                                     | 84,369                                       | 135,240                                      | 37,541                                                        | 113,672                                        |
|       | Share-based payment expense                                                                    | 7,117                                        | 6,568                                        | 13,107                                       | 12,043                                                        | -                                              |
|       | Foreign exchange difference, net                                                               | (278)                                        | 840                                          | 10,420                                       | 1,025                                                         | (16,903)                                       |
|       |                                                                                                | <u>379,012</u>                               | <u>418,454</u>                               | <u>1,210,554</u>                             | <u>508,221</u>                                                | <u>1,107,805</u>                               |

continued/...

# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

|                                                              | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|--------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Decrease/(increase) in inventories                           | 65,760                                       | (769,659)                                    | (815,796)                                    | (131,756)                                                     | (861,850)                                      |
| Decrease/(increase) in trade and bills receivables           | 622,972                                      | (793,365)                                    | 202,549                                      | (265,633)                                                     | (631,447)                                      |
| Decrease in contract assets                                  | 1,673                                        | 3,566                                        | 440                                          | 53                                                            | 83                                             |
| (Increase)/decrease in prepayments and other receivables     | (66,715)                                     | (120,474)                                    | (99,600)                                     | 97,384                                                        | (1,459,069)                                    |
| Decrease/(increase) in pledged deposits                      | 136,658                                      | (29,799)                                     | 4,172                                        | (27,391)                                                      | (16,699)                                       |
| (Increase)/decrease in derivative financial instruments      | (38,853)                                     | (164)                                        | (8,160)                                      | (3,391)                                                       | 2,228                                          |
| (Decrease)/increase in trade and bills payables              | (171,129)                                    | 481,973                                      | 1,040,316                                    | 587,307                                                       | 335,808                                        |
| (Decrease)/increase in other payables and accruals           | (107,455)                                    | 204,880                                      | (129,433)                                    | (206,354)                                                     | 355,228                                        |
| Cash generated from/(used in) operations                     | 821,923                                      | (604,588)                                    | 1,405,042                                    | 558,440                                                       | (1,167,913)                                    |
| Interest received                                            | 1,101                                        | 915                                          | 2,921                                        | 1,947                                                         | 1,444                                          |
| Income tax paid                                              | (24,262)                                     | (12,198)                                     | (19,581)                                     | (10,795)                                                      | (89,849)                                       |
| Net cash flows generated from/(used in) operating activities | 798,762                                      | (615,871)                                    | 1,388,382                                    | 549,592                                                       | (1,256,318)                                    |

continued/...

# I HISTORICAL FINANCIAL INFORMATION (continued)

## CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

| Notes                                                                          | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|--------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                                              |                                              |                                              |                                                               |                                                |
| Interest received                                                              | 72,050                                       | 61,358                                       | 19,616                                       | 17,958                                                        | 1,960                                          |
| Advances to related parties                                                    | (900,000)                                    | (406,000)                                    | -                                            | -                                                             | -                                              |
| Repayment from advances to related parties                                     | -                                            | -                                            | 1,606,000                                    | 1,606,000                                                     | -                                              |
| Proceeds from disposal of a joint venture                                      | -                                            | -                                            | 700,000                                      | 700,000                                                       | -                                              |
| Proceed from disposal of financial assets at fair value through profit or loss | 433,035                                      | 435,104                                      | 1,105,750                                    | 635,399                                                       | 1,735,615                                      |
| Purchase of financial assets at fair value through profit or loss              | (429,000)                                    | -                                            | (1,505,000)                                  | (635,000)                                                     | (1,330,000)                                    |
| Dividends received from a joint venture                                        | 46,264                                       | 79,116                                       | -                                            | -                                                             | -                                              |
| Purchases of items of property, plant and equipment                            | (218,428)                                    | (867,375)                                    | (351,808)                                    | (219,112)                                                     | (562,106)                                      |
| Purchases of other intangible assets                                           | (3,089)                                      | (3,342)                                      | (1,551)                                      | (698)                                                         | (468)                                          |
| Proceeds from disposal of items of property, plant and equipment               | 5,718                                        | 4,955                                        | 4,569                                        | 3,374                                                         | 982                                            |
| Net cash flow (used in)/generated from investing activities                    | (993,450)                                    | (696,184)                                    | 1,577,576                                    | 2,107,921                                                     | (154,017)                                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                                              |                                              |                                              |                                                               |                                                |
| Proceeds from issue of shares                                                  | 33(a) -                                      | -                                            | 780,000                                      | -                                                             | -                                              |
| Repayment of interest-bearing bank and other borrowings                        | 37(b) (699,669)                              | (631,876)                                    | (4,104,167)                                  | (3,331,813)                                                   | -                                              |
| New drawdown of interest-bearing bank and other borrowings                     | 37(b) 1,200,000                              | 2,266,000                                    | 1,269,073                                    | 1,269,073                                                     | 1,750,777                                      |
| Interest paid for interest-bearing bank and other borrowings                   | 37(b) (25,943)                               | (52,376)                                     | (35,757)                                     | (33,951)                                                      | (5,339)                                        |
| Principal portion of lease payments                                            | 37(b) (11,882)                               | (14,023)                                     | (16,395)                                     | (1,575)                                                       | (23,090)                                       |
| Interest portion of lease payments                                             | 37(b) (2,477)                                | (4,040)                                      | (3,896)                                      | (8,402)                                                       | (2,222)                                        |
| Capital injection from non-controlling interests                               | -                                            | -                                            | 220,000                                      | -                                                             | -                                              |
| Purchase of treasury shares                                                    | -                                            | (6,980)                                      | -                                            | -                                                             | -                                              |
| Proceeds of exercise of share awards                                           | 4,783                                        | -                                            | 6,980                                        | 6,677                                                         | -                                              |
| Dividends paid                                                                 | 37(b) (248,609)                              | (123,580)                                    | (64,936)                                     | (51,273)                                                      | -                                              |
| Net cash flow from/(used in) financing activities                              | 216,203                                      | 1,433,125                                    | (1,949,098)                                  | (2,151,264)                                                   | 1,720,126                                      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                               |                                              |                                              |                                              |                                                               |                                                |
| Cash and cash equivalents at the beginning of year/period                      | 116,018                                      | 138,503                                      | 260,906                                      | 260,906                                                       | 1,273,617                                      |
| Effect of foreign exchange rate changes, net                                   | 970                                          | 1,333                                        | (4,149)                                      | 6,397                                                         | 744                                            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>                 |                                              |                                              |                                              |                                                               |                                                |
|                                                                                | 138,503                                      | 260,906                                      | 1,273,617                                    | 773,552                                                       | 1,584,152                                      |

# I HISTORICAL FINANCIAL INFORMATION (continued)

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

|                                              | Notes | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|----------------------------------------------|-------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| <b>NON-CURRENT ASSETS</b>                    |       |                                |                                |                                |                            |
| Investments in subsidiaries                  | 18    | 304,066                        | 335,687                        | 1,097,018                      | 1,080,095                  |
| Total non-current assets                     |       | 304,066                        | 335,687                        | 1,097,018                      | 1,080,095                  |
| <b>CURRENT ASSETS</b>                        |       |                                |                                |                                |                            |
| Prepayments and other receivables            | 20    | 269,822                        | 194,763                        | 144,376                        | 142,941                    |
| Cash and cash equivalents                    |       | 20,616                         | 20,065                         | 3,991                          | 5,505                      |
| Total current assets                         |       | 290,438                        | 214,828                        | 148,367                        | 148,446                    |
| <b>CURRENT LIABILITIES</b>                   |       |                                |                                |                                |                            |
| Other payables and accruals                  | 30    | 467,286                        | 457,951                        | 60,731                         | 73,439                     |
| Tax payable                                  |       | -                              | 6,637                          | -                              | -                          |
| Total current liabilities                    |       | 467,286                        | 464,588                        | 60,731                         | 73,439                     |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>      |       | <b>(176,848)</b>               | <b>(249,760)</b>               | <b>87,636</b>                  | <b>75,007</b>              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <b>127,218</b>                 | <b>85,927</b>                  | <b>1,184,654</b>               | <b>1,155,102</b>           |
| <b>NON-CURRENT LIABILITIES</b>               |       |                                |                                |                                |                            |
| Redemption liabilities                       | 32    | -                              | -                              | 322,015                        | 317,610                    |
| Total non-current liabilities                |       | -                              | -                              | 322,015                        | 317,610                    |
| <b>NET ASSETS</b>                            |       | <b>127,218</b>                 | <b>85,927</b>                  | <b>862,639</b>                 | <b>837,492</b>             |
| <b>EQUITY</b>                                |       |                                |                                |                                |                            |
| Share capital                                | 33    | 100,744                        | 100,744                        | 109,134                        | 109,134                    |
| Treasury shares                              | 34    | -                              | (6,980)                        | -                              | -                          |
| Reserves                                     | 35    | 26,474                         | (7,837)                        | 753,505                        | 728,358                    |
| Total equity                                 |       | 127,218                        | 85,927                         | 862,639                        | 837,492                    |



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Ligent Technologies, Inc. (the “**Company**”) is an exempted company registered by way of continuation in the Cayman Island. The registered office of the Company is located at 4th Floor, Harbor Place, 103 South Church Street, Cayman Island. The Company’s immediate holding company and ultimate holding company is Hisense Group Holdings Co., Ltd. (“Hisense Group Holding”), a company incorporated in Chinese mainland.

The Company is an investment holding company. During the Relevant Periods and the six months ended 30 June 2025, the Company’s subsidiaries were principally involved in the business of manufacturing and sales of optical transceivers, optical chips and optical network terminal products.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

| Name                                                                                 | Notes | Place and date of incorporation/<br>registration and place of operations | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity attributable to the Company |                 | Principal activities                                                                                                                                                |
|--------------------------------------------------------------------------------------|-------|--------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                      |       |                                                                          |                                                                    | Direct                                           | Indirect        |                                                                                                                                                                     |
| Hisense Broadband Multimedia Technologies Co., Ltd. (“Qingdao Broadband”) *          | a     | Chinese mainland<br>4 April 2003                                         | RMB215,229,500                                                     | 100%                                             | -               | R&D, Manufacture and sales of optical transceivers, optical chips and optical network terminal products                                                             |
| Hisense Broadband Multimedia Technologies (HK) Co., Limited (“HK Broadband”)         | b     | Hong Kong<br>4 March 2011                                                | HK\$8,000,000                                                      | 100%                                             | -               | Investment holding R&D, Manufacturing and sales of optical transceivers and optical network terminal products                                                       |
| Guangdong Hisense Broadband Technology Co., Ltd. (“Guangdong Broadband”)*            | a     | Chinese mainland<br>28 June 2012                                         | RMB33,130,000                                                      | -                                                | 100%            | R&D, production and sales of optoelectronic chips and optical device products                                                                                       |
| Xiamen Lianzhi Optical Communication Technology Co., Ltd. (“Xiamen Lianzhiguang”)*   | c     | Chinese mainland<br>9 April 2025                                         | RMB273,333,334                                                     | -                                                | 94.63%          | R&D, Manufacture of optical chips                                                                                                                                   |
| Qingdao Lianzhi Optical Communication Technology Co., Ltd. (“Qingdao Lianzhiguang”)* | c     | Chinese mainland<br>15 April 2025                                        | RMB380,000,000                                                     | -                                                | 100%            | Investment holding R&D, Sales of optical transceivers R&D, Manufacture of optical chips Manufacturing of optical transceivers and optical network terminal products |
| Ligent Inc.                                                                          | b     | United States of America<br>8 April 2024                                 | USD0.50                                                            | 100%                                             | -               |                                                                                                                                                                     |
| Ligent Tech, Inc. (formerly known as Hisense Broadband, Inc.) (“Ligent Tech”)        | b     | United States of America<br>21 June 2002                                 | USD10                                                              | -                                                | 100%            |                                                                                                                                                                     |
| LigentCom Photonics Inc. (formerly known as Hisense Photonics, Inc.) (“LigentCom”)   | b     | United States of America<br>8 November 2000                              | USD24.14771                                                        | -                                                | 100%            |                                                                                                                                                                     |
| Ligent Comm Co., Ltd. (“LigentComm”)                                                 | d     | Thailand<br>20 November 2019                                             | THB1,250,000,000                                                   | -                                                | 99.999997<br>6% |                                                                                                                                                                     |
| Ligent (Singapore) Pte. Ltd.                                                         | e     | Singapore<br>6 September 2020                                            | USD3,000,000                                                       | -                                                | 100%            |                                                                                                                                                                     |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 1. CORPORATE INFORMATION (continued)

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2023, 2024 and 2025 prepared under China Accounting Standards for Business Enterprises ("PRC GAAP") were audited by ShineWing Certified Public Accountants Qingdao branch, certified public accountants registered in the PRC.
  - (b) No audited financial statements have been prepared for these entities during the Relevant Periods, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
  - (c) No audited financial statements have been prepared for these entities during the Relevant Periods, as the entities were established during the year ended 31 December 2025.
  - (d) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared under Thai Financial Reporting Standard for Non-Publicly Accountable Entities were audited by KPMG Phoomchai Audit Ltd., certified public accountants registered in Thailand. The statutory financial statements of this entity for the year ended 31 December 2025 prepared under Thai Financial Reporting Standard for Non-Publicly Accountable Entities were audited by EY Office Ltd., certified public accountants registered in Thailand.
  - (e) The statutory financial statements of this entity for the year ended 31 December 2025 prepared under Singapore Standards on Auditing for Non-Publicly Accountable Entities were audited by Ernst & Young LLP, certified public accountants registered in Singapore. No audited financial statements have been prepared for this entity during the fiscal years 2023 and 2024, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- \* The English names of the PRC companies above represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2026, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and bill receivables measured at fair value through other comprehensive income which have been measured at fair value.

#### Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. 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).

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.1 BASIS OF PREPARATION (continued)**

#### **Basis of consolidation (continued)**

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.

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 derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized 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.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.2 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 the Historical Financial Information.

|                                                                         |                                                                                                            |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| IFRS 18                                                                 | <i>Presentation and Disclosure in Financial Statements</i> <sup>1</sup>                                    |
| IFRS 19 and its amendments                                              | <i>Subsidiaries without Public Accountability: Disclosures</i> <sup>1</sup>                                |
| Amendments to IFRS 10 and International Accounting Standards ("IAS") 28 | <i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup> |
| Amendments to IAS 21                                                    | <i>Translation to a Hyperinflationary Presentation Currency</i> <sup>1</sup>                               |
| IFRS 20                                                                 | <i>Regulatory Assets and Regulatory Liabilities</i> <sup>2</sup>                                           |
| Amendments to IAS 28                                                    | <i>Amendments to the Fair Value Option for Investments in Associates and Joint Ventures</i> <sup>2</sup>   |

<sup>1</sup> Effective for annual/reporting periods beginning on or after 1 January 2027

<sup>2</sup> No mandatory effective date yet determined but available for adoption

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 new requirements are expected to impact the Group's presentation of the statement of profit or loss and other comprehensive income and disclosures of the Group's financial performance. So far, the Group considers that IFRS 18 is unlikely to have a significant impact on the Group's results of operations and financial position.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (continued)**

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. Some of the Company's subsidiaries are considering the application of IFRS 19 and its amendments in their specified 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 sales 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 sales 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 recognized 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.

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 HKAS 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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION**

#### **Investment in a joint venture**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in a joint venture 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 joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

#### **Business combinations and goodwill**

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.

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 recognized 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 recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Business combinations and goodwill (continued)**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

#### **Fair value measurement**

The Group measures its derivative financial instruments, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and bill receivables measured at fair value through other comprehensive income 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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Fair value measurement (continued)**

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.

For assets and liabilities that are recognized 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, contract assets, deferred tax assets, financial assets, and non-current assets/a disposal group classified as held for sales), 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 recognized 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 recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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.



## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (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;
  - (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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (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 capitalized 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 recognizes 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              | 2.44% - 3.33%   |
| Freehold land          | Not depreciated |
| Leasehold improvements | 33.33%          |
| Plant and machinery    | 6.33% - 32.33%  |
| Furniture and fixtures | 6.33% - 32.33%  |
| Motor vehicles         | 9.5% - 24.25%   |

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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized 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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortized on the straight-line basis over its estimated useful lives of 1 to 10 years, which is mainly determined by reference to the licensed period of the purchased software.

#### ***Research and development costs***

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

Expenditure incurred on projects to develop new products is capitalized 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.

#### **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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Leases (continued)

##### *Group as a lessee (continued)*

##### (a) Right-of-use assets

Right-of-use assets are recognized 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 recognized, 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     |
| Offices        | 2 - 10 years |
| Machinery      | 2 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.

##### (b) Lease liabilities

Lease liabilities are recognized 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 recognized 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 of equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (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 recognized over the lease term on the same basis as rental income. Contingent rents are recognized 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 amortized 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 amortized 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.

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 amortized 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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Investments and other financial assets (continued)**

##### ***Initial recognition and measurement (continued)***

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized 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 amortized cost (debt instruments)***

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, 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 recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized 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 recognized in the statement of profit or loss.

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

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 recognized 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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **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 derecognized (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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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.

#### **Impairment of financial assets**

The Group recognizes 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 sales of collateral held or other credit enhancements that are integral to the contractual terms.

#### ***General approach***

ECLs are recognized 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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Impairment of financial assets (continued)**

##### ***General approach(continued)***

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.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. Debt investments graded in the top investment categories (Very Good and Good) by the Credit Rating Agency are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Credit Rating Agency both to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs.

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

Debt investments at fair value through other comprehensive income and financial assets at amortized 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 recognizes 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.



## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **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 recognized 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, other payables and accruals, financial liabilities at fair value through profit or loss, derivative financial instruments, interest-bearing bank and other borrowings and redemption liabilities.

##### ***Subsequent measurement***

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

##### ***Financial liabilities at amortized cost***

After initial recognition, trade and other payables, interest-bearing borrowings, and redemption liabilities are subsequently measured at amortized 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 recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization is included in finance costs in the statement of profit or loss.

##### ***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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### **Derivative financial instruments**

##### ***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 recognized 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.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

#### **Treasury shares**

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

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Inventories**

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

#### **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 six 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.

#### **Provisions**

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 recognized for Pillar Two income taxes.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Income tax (continued)**

Deferred tax liabilities are recognized 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 joint ventures, 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.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, 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 joint ventures, deferred tax assets are only recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized 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 realize 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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Government subsidies**

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

Where the subsidies 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.

#### **Revenue recognition**

##### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognized 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

##### ***Sales of products***

Revenue is recognized when the control of the optical transceivers, optical chips and optical terminal products have been transferred, that is, when the products have been delivered to the specific location of the customer and the customer has confirmed the acceptance of the products. The Group recognizes accounts receivable upon receipt of the signed receipt after the delivery of goods to the customer, as this represents the point in time when the consideration right becomes unconditional, as it only takes some time before the payment is due.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Revenue recognition (continued)**

##### ***Other income***

Interest income is recognized 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 recognized 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 assets**

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

##### **Contract liabilities**

A contract liability is recognized 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 recognized 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**

The Company operates certain share award scheme. 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 using a option pricing model, further details of which are given in note 36 to the Historical Financial Information.

The cost of equity-settled transactions is recognized 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 recognized 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 recognized as at the beginning and end of that period.

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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Share-based payments (continued)**

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. 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 recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized 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 canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially at the grant date and at each reporting date up to and including the settlement date. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cumulative expense recognized for cash-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 awards that will ultimately vest.

#### **Other employee benefits**

##### ***Pension scheme***

The employees of the Group's subsidiaries which operate in 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 proportion of its 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 has no further obligations beyond the contributions made.

#### **Borrowing costs**

All 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.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **Events after the reporting period**

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognizes in its financial statements. The Group will adjust the amounts recognized 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 recognized 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**

Dividends are recognized as a liability when they are approved by the shareholders. Proposed dividends are disclosed in the note 12 to the Historical Financial Information.

#### **Foreign currencies**

These financial statements are presented in Renminbi, which is different from the Company's functional currency, United States dollar. As the major revenues and assets of the Group are derived from operations in Chinese mainland, Renminbi is chosen as the presentation currency to present these financial statements. 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 recognized 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 recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized 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 recognized in the statement of profit or loss.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, 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.

#### **Judgment**

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Historical Financial Information:

#### ***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant cash-generating units ("CGUs") to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. In determining the fair value less cost of disposal of the CGUs, references were made to the valuation of the land, buildings plant and machinery and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value. The assessment of the recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for land, buildings plant and machinery. These estimates and assumptions are subject to risk and uncertainty. The assumptions were affected by expectations of future market or economic conditions. Therefore, there is a possibility that changes in circumstances will impact on these projections, which will have a corresponding impact on the recoverable amounts of the CGUs, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2023, 2024 and 2025 and 30 June 2026 was RMB26,468,000, details of which are set out in note 19.

#### ***Provision for expected credit losses on trade receivables and contract assets***

The Group uses a provision matrix to calculate ECLs for trade receivables *and contract assets*. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions 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 analyzed.

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 and contract assets are disclosed in note 25 and note 27 to the Historical Financial Information.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

#### Judgment (continued)

##### *Provision of inventories*

The Group reviews the aging analysis of the Group's inventories at the end of each reporting period, and makes provision for obsolete items when events or changes in circumstances show that the balance of inventories may not be realizable. The assessment of the provision amount involves management judgment and estimates by considering historical consumption. Where the actual outcome is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which such estimate has been changed. Further details of which are included in note 26 to the Historical Financial Information.

### 4. OPERATING SEGMENT INFORMATION

The Group is in the optical communication industry, engaged in the research, production and sales of optical transceivers, optical chips and optical network terminals, which are regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

#### Geographical information

##### *(a) Revenue from external customers:*

|                   | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Asia              |                                              |                                              |                                              |                                                               |                                                |
| - China           | 2,768,316                                    | 3,494,280                                    | 5,883,333                                    | 3,020,505                                                     | 3,393,700                                      |
| - Rest of Asia    | 541,258                                      | 670,878                                      | 839,349                                      | 436,965                                                       | 479,432                                        |
| North America     | 605,706                                      | 683,502                                      | 1,287,082                                    | 626,509                                                       | 1,212,663                                      |
| Europe and others | 323,709                                      | 237,940                                      | 344,916                                      | 131,846                                                       | 306,853                                        |
| Total revenue     | <u>4,238,989</u>                             | <u>5,086,600</u>                             | <u>8,354,680</u>                             | <u>4,215,825</u>                                              | <u>5,392,648</u>                               |

The revenue information above is based on the locations of the customers.

##### *(b) Non-current assets*

|                          | Year ended 31<br>December<br>2023<br>RMB'000 | Year ended 31<br>December<br>2024<br>RMB'000 | Year ended 31<br>December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|--------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------------|
| China                    | 1,088,122                                    | 1,510,439                                    | 1,181,000                                    | 2,009,990                                      |
| United States of America | 151,600                                      | 147,186                                      | 101,795                                      | 118,098                                        |
| Thailand                 | 44,099                                       | 179,144                                      | 239,355                                      | 354,680                                        |
| Total                    | <u>1,283,821</u>                             | <u>1,836,769</u>                             | <u>1,522,150</u>                             | <u>2,482,768</u>                               |

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 4. OPERATING SEGMENT INFORMATION (continued)

#### Information about major customers

Information about external customers from which the revenue amounted to over 10% of the total revenue of the Group for the Relevant Periods and the six months ended 30 June 2025 was set forth below:

|            | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Customer A | 1,359,933                                    | 1,196,090                                    | 1,713,513                                    | 855,665                                                       | 979,841                                        |
| Customer C | *                                            | *                                            | 852,618                                      | *                                                             | 1,134,282                                      |
| Customer F | *                                            | 1,033,961                                    | 1,819,036                                    | 972,679                                                       | 1,045,499                                      |
| Customer G | *                                            | *                                            | 1,154,341                                    | 647,792                                                       | *                                              |

\* Less than 10% of the Group's revenue.

### 5. REVENUE

An analysis of revenue is as follows:

|                                       | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|---------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Revenue from contracts with customers | 4,238,989                                    | 5,086,600                                    | 8,354,680                                    | 4,215,825                                                     | 5,392,648                                      |

#### (a) Disaggregated revenue information

|                                      | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|--------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| <b>Types of goods or services</b>    |                                              |                                              |                                              |                                                               |                                                |
| Optical transceivers                 |                                              |                                              |                                              |                                                               |                                                |
| - Datacom transceivers               | 1,055,988                                    | 2,776,454                                    | 5,469,325                                    | 2,741,494                                                     | 3,744,715                                      |
| - Telecom transceivers               | 1,681,162                                    | 905,653                                      | 1,065,287                                    | 540,863                                                       | 533,063                                        |
| Optical network terminals            | 1,389,758                                    | 1,380,703                                    | 1,791,137                                    | 917,269                                                       | 1,029,887                                      |
| Optical chips                        | 112,081                                      | 23,790                                       | 28,931                                       | 16,199                                                        | 84,983                                         |
| Total                                | 4,238,989                                    | 5,086,600                                    | 8,354,680                                    | 4,215,825                                                     | 5,392,648                                      |
| <b>Geographical markets</b>          |                                              |                                              |                                              |                                                               |                                                |
| Asia                                 |                                              |                                              |                                              |                                                               |                                                |
| - China                              | 2,768,316                                    | 3,494,280                                    | 5,883,333                                    | 3,020,505                                                     | 3,393,700                                      |
| - Rest of Asia                       | 541,258                                      | 670,878                                      | 839,349                                      | 436,965                                                       | 479,432                                        |
| North America                        | 605,706                                      | 683,502                                      | 1,287,082                                    | 626,509                                                       | 1,212,663                                      |
| Europe and others                    | 323,709                                      | 237,940                                      | 344,916                                      | 131,846                                                       | 306,853                                        |
| Total                                | 4,238,989                                    | 5,086,600                                    | 8,354,680                                    | 4,215,825                                                     | 5,392,648                                      |
| <b>Timing of revenue recognition</b> |                                              |                                              |                                              |                                                               |                                                |
| Goods transferred at a point in time | 4,238,989                                    | 5,086,600                                    | 8,354,680                                    | 4,215,825                                                     | 5,392,648                                      |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 5. REVENUE (continued)

#### (a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognized in the Relevant Periods and the six months ended 30 June 2025 that were included in the contract liabilities at the beginning of each of the reporting period:

|                                                                                                       | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Revenue recognized that was included in contract liabilities at the beginning of the reporting period | <u>1,390</u>                                 | <u>2,311</u>                                 | <u>1,971</u>                                 | <u>1,971</u>                                                  | <u>2,224</u>                                   |

#### (b) Performance obligations

Information about the Group's performance obligations is summarized below:

##### ***Sales of optical transceivers, optical chips and optical terminal products***

The performance obligation is satisfied when the products have been delivered to the specific location of the customer and the customer has confirmed the acceptance of products and payment is generally due within 30 to 120 days from issued invoices. For new customers, where payment in advance is normally required.

All amounts of transaction prices allocated to the performance obligations of sales of optical transceivers, optical chips and optical terminal products are expected to be recognized as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration more than one year, thus management applied practical expedient under IFRS 15 and is not disclosing 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.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 6. OTHER INCOME AND GAINS, AND OTHER EXPENSES AND LOSSES

|                                                                            | Note | Year<br>ended 31<br>December<br>2023<br>RMB'000 | Year<br>ended 31<br>December<br>2024<br>RMB'000 | Year<br>ended 31<br>December<br>2025<br>RMB'000 | Six months<br>ended 30<br>June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30<br>June<br>2026<br>RMB'000 |
|----------------------------------------------------------------------------|------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|
| <b>Other income</b>                                                        |      |                                                 |                                                 |                                                 |                                                                  |                                                   |
| Interest income                                                            |      | 27,068                                          | 40,320                                          | 22,539                                          | 19,905                                                           | 3,404                                             |
| Government subsidies*                                                      |      | 32,461                                          | 23,056                                          | 22,488                                          | 7,378                                                            | 38,283                                            |
| Other tax refund                                                           |      | 35,419                                          | 22,857                                          | 65,377                                          | 36,689                                                           | 9,386                                             |
| Rental income                                                              |      | 2,512                                           | 2,754                                           | 4,154                                           | 1,987                                                            | 1,681                                             |
| Sales of scrap materials                                                   |      | 3,712                                           | 2,741                                           | 2,592                                           | 1,391                                                            | 3,914                                             |
| Others                                                                     |      | 2,847                                           | 3,228                                           | 3,294                                           | 2,631                                                            | 1,026                                             |
| Total other income                                                         |      | 104,019                                         | 94,956                                          | 120,444                                         | 69,981                                                           | 57,694                                            |
| <b>Gains</b>                                                               |      |                                                 |                                                 |                                                 |                                                                  |                                                   |
| Compensation from suppliers                                                |      | 3,767                                           | 5,801                                           | 5,108                                           | 1,540                                                            | 2,307                                             |
| Gains on disposal of financial assets at fair value through profit or loss |      | 4,035                                           | 3,643                                           | 750                                             | 399                                                              | 5,615                                             |
| Foreign exchange gains                                                     | 7    | 2,756                                           | -                                               | 9,954                                           | 450                                                              | -                                                 |
| Fair value gains on derivative financial instruments                       |      | 2,959                                           | 61                                              | 2,064                                           | 2,166                                                            | 4,859                                             |
| Fair value gains on financial assets at fair value through profit or loss  |      |                                                 |                                                 |                                                 |                                                                  |                                                   |
| - Wealth management products                                               |      | 2,461                                           | -                                               | 737                                             | -                                                                | -                                                 |
| Gains on disposal of derivative financial instruments                      |      | 12                                              | -                                               | 462                                             | 32                                                               | 1,511                                             |
| Gains on early termination of leases                                       |      | -                                               | -                                               | 1,602                                           | 1,598                                                            | -                                                 |
| Others                                                                     |      | 1,613                                           | 1,463                                           | 252                                             | 224                                                              | 774                                               |
| Total gains                                                                |      | 17,603                                          | 10,968                                          | 20,929                                          | 6,409                                                            | 15,066                                            |
| Total other income and gains                                               |      | 121,622                                         | 105,924                                         | 141,373                                         | 76,390                                                           | 72,760                                            |
| <b>Other expenses and losses</b>                                           |      |                                                 |                                                 |                                                 |                                                                  |                                                   |
| Foreign exchange losses                                                    | 7    | -                                               | 10,398                                          | -                                               | -                                                                | 31,567                                            |
| Fair value losses on derivative financial instruments                      |      | 746                                             | 4,177                                           | 254                                             | 4,734                                                            | 227                                               |
| Loss on disposal of derivative financial instruments                       |      | 9,726                                           | 1,794                                           | 5,089                                           | 1,513                                                            | 1,116                                             |
| Other operating expenses                                                   |      | 1,570                                           | 1,629                                           | 1,373                                           | 1,276                                                            | 43                                                |
| Loss on disposal of property, plant and equipment, net                     |      | 1,176                                           | 2,554                                           | 1,984                                           | 737                                                              | 380                                               |
| Direct operating expenses arising from rental-earning arrangements         |      | 564                                             | 720                                             | 1,535                                           | 726                                                              | 531                                               |
| Loss on disposal of bills receivables                                      |      | 885                                             | 323                                             | 885                                             | 728                                                              | 327                                               |
| Others                                                                     |      | 1,776                                           | 1,162                                           | 1,415                                           | 208                                                              | 587                                               |
| Total other expenses and losses                                            |      | 16,443                                          | 22,757                                          | 12,535                                          | 9,922                                                            | 34,778                                            |

\* The amounts represent subsidies received from certain governmental authorities in Chinese mainland for the Group's operating businesses, where there were no unfulfilled conditions or contingencies relating to these subsidies during the Relevant Periods and the six months ended 30 June 2025.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

|                                                                                              | Notes | Year<br>ended 31<br>December<br>2023<br>RMB'000 | Year<br>ended 31<br>December<br>2024<br>RMB'000 | Year<br>ended 31<br>December<br>2025<br>RMB'000 | Six months<br>ended 30<br>June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30<br>June<br>2026<br>RMB'000 |
|----------------------------------------------------------------------------------------------|-------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|
| Cost of inventories sold*                                                                    |       | 3,365,077                                       | 4,203,511                                       | 6,682,449                                       | 3,427,738                                                        | 4,086,598                                         |
| Depreciation of property, plant and equipment                                                | 14    | 167,569                                         | 225,838                                         | 311,973                                         | 148,403                                                          | 187,283                                           |
| Depreciation of right-of-use assets                                                          | 15(a) | 12,702                                          | 15,145                                          | 19,132                                          | 8,318                                                            | 20,804                                            |
| Amortization of other intangible assets                                                      | 17    | 2,854                                           | 2,628                                           | 4,359                                           | 1,230                                                            | 2,208                                             |
| Lease payments not included in the measurement of lease liabilities                          | 15(c) | 7,335                                           | 8,037                                           | 5,981                                           | 4,019                                                            | 2,528                                             |
| Auditor's remuneration                                                                       |       | 348                                             | 368                                             | 398                                             | 398                                                              | 425                                               |
| Listing expenses                                                                             |       | -                                               | -                                               | 22,988                                          | -                                                                | 9,307                                             |
| Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)): |       |                                                 |                                                 |                                                 |                                                                  |                                                   |
| Wages, salaries and benefits in kind                                                         |       | 694,682                                         | 773,465                                         | 1,000,836                                       | 460,960                                                          | 567,124                                           |
| Pension scheme contributions (defined contribution schemes)**                                |       | 49,455                                          | 51,361                                          | 55,258                                          | 27,497                                                           | 36,550                                            |
| Profit sharing bonus                                                                         |       | 59,570                                          | 23,529                                          | 120,525                                         | 120,525                                                          | -                                                 |
| Share-based payment expenses                                                                 |       | 5,328                                           | 3,744                                           | 10,963                                          | 9,173                                                            | -                                                 |
| <b>Total</b>                                                                                 |       | <b>809,035</b>                                  | <b>852,099</b>                                  | <b>1,187,582</b>                                | <b>618,155</b>                                                   | <b>603,674</b>                                    |
| Foreign exchange difference, net                                                             | 6     | (2,756)                                         | 10,398                                          | (9,954)                                         | (450)                                                            | 31,567                                            |
| Impairment of property, plant and equipment                                                  | 14    | -                                               | 7,456                                           | 4,216                                           | -                                                                | 2,580                                             |
| Provision for inventories                                                                    | 26    | 45,349                                          | 84,369                                          | 135,240                                         | 37,541                                                           | 113,672                                           |
| Impairment/(reversal of impairment) of financial assets and contract assets, net:            |       |                                                 |                                                 |                                                 |                                                                  |                                                   |
| Prepayments and other receivables, net                                                       | 20    | 284                                             | 683                                             | (464)                                           | (88)                                                             | (13)                                              |
| Trade and bills receivables, net                                                             | 25    | (1,531)                                         | 632                                             | 647                                             | 812                                                              | 5                                                 |
| Contract assets, net                                                                         | 27    | 736                                             | (1,917)                                         | 295                                             | 28                                                               | 926                                               |
| <b>Total</b>                                                                                 |       | <b>(511)</b>                                    | <b>(602)</b>                                    | <b>478</b>                                      | <b>752</b>                                                       | <b>918</b>                                        |
| Fair value (gains)/losses on derivative financial instruments                                |       | (2,213)                                         | 4,116                                           | (1,810)                                         | 2,568                                                            | (4,632)                                           |

\* Cost of inventories sold include provision for inventories and expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 8. FINANCE COSTS

An analysis of finance costs is as follows:

|                                                     | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-----------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Interest on bank and other borrowings               | 25,943                                       | 52,376                                       | 35,757                                       | 33,951                                                        | 5,339                                          |
| Interest on lease liabilities ( <i>note 15(b)</i> ) | 2,477                                        | 4,040                                        | 3,896                                        | 1,575                                                         | 2,222                                          |
| Interest on redemption liabilities                  | -                                            | -                                            | 7,730                                        | -                                                             | 9,416                                          |
| Total                                               | <u>28,420</u>                                | <u>56,416</u>                                | <u>47,383</u>                                | <u>35,526</u>                                                 | <u>16,977</u>                                  |

### 9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and the supervisors of the Company recorded in each of the Relevant Periods is set out below:

|                                           | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Fees                                      | -                                            | -                                            | 177                                          | -                                                             | 225                                            |
| Other emoluments:                         |                                              |                                              |                                              |                                                               |                                                |
| Salaries, allowances and benefits in kind | 1,954                                        | 2,015                                        | 3,632                                        | 979                                                           | 2,961                                          |
| Performance related bonuses               | 288                                          | 430                                          | 4,956                                        | 233                                                           | 2,527                                          |
| Share-based payments expenses             | 1,789                                        | 2,823                                        | 2,144                                        | 2,144                                                         | -                                              |
| Pension scheme contributions              | <u>156</u>                                   | <u>160</u>                                   | <u>155</u>                                   | <u>68</u>                                                     | <u>208</u>                                     |
| Subtotal                                  | <u>4,187</u>                                 | <u>5,428</u>                                 | <u>10,887</u>                                | <u>3,424</u>                                                  | <u>5,696</u>                                   |
| Profit sharing bonus                      | <u>3,217</u>                                 | <u>1,372</u>                                 | <u>2,699</u>                                 | <u>2,699</u>                                                  | -                                              |
| Total                                     | <u>7,404</u>                                 | <u>6,800</u>                                 | <u>13,763</u>                                | <u>6,123</u>                                                  | <u>5,921</u>                                   |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 9. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

|                       | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-----------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Changjun Zhou         | -                                            | -                                            | 59                                           | -                                                             | 75                                             |
| Franklin Fuk Kay Tong | -                                            | -                                            | 59                                           | -                                                             | 75                                             |
| Ying Sun              | -                                            | -                                            | 59                                           | -                                                             | 75                                             |
| Total                 | -                                            | -                                            | 177                                          | -                                                             | 225                                            |

The Company did not appoint independent non-executive directors during the years ended 31 December 2023 and 2024 and the six months ended 30 June 2025. Dr. Changjun Zhou, Dr. Franklin Fuk Kay Tong and Dr. Ying Sun were appointed as the independent non-executive directors of the Company on 11 August 2025.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

#### (b) Executive directors, non-executive directors, and the supervisor

|                                        | Fees<br>RMB'000 | Salaries,<br>allowances<br>and benefits<br>in kind<br>RMB'000 | Performance<br>related<br>bonuses<br>RMB'000 | Share-based<br>payment<br>expense<br>RMB'000 | Pension<br>scheme<br>contributions<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------------|-----------------|---------------------------------------------------------------|----------------------------------------------|----------------------------------------------|-----------------------------------------------|------------------|
| For the year ended 31<br>December 2023 |                 |                                                               |                                              |                                              |                                               |                  |
| Non-executive directors:               |                 |                                                               |                                              |                                              |                                               |                  |
| Yuebin Duan                            | -               | 1,400                                                         | 154                                          | 1,328                                        | 153                                           | 3,035            |
| Weiping Huang                          | -               | 554                                                           | 134                                          | 461                                          | 3                                             | 1,152            |
| Shaoqian Jia                           | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Zhitao Yu                              | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| HSIEN-CHENG CHEN                       | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Jing Zhang                             | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Weiqiang Chen                          | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Subtotal                               | -               | 1,954                                                         | 288                                          | 1,789                                        | 156                                           | 4,187            |
| Supervisor:                            |                 |                                                               |                                              |                                              |                                               |                  |
| Zhenshun Liu                           | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Total                                  | -               | 1,954                                                         | 288                                          | 1,789                                        | 156                                           | 4,187            |



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 9. DIRECTORS' AND CHIEF SUPERVISORS' REMUNERATION (continued)

#### (b) Executive directors, non-executive directors and the supervisor (continued)

|                                     | Fees<br>RMB'000 | Salaries,<br>allowances<br>and benefits<br>in kind<br>RMB'000 | Performance<br>related<br>bonuses<br>RMB'000 | Share-based<br>payment<br>expense<br>RMB'000 | Pension<br>scheme<br>contributions<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|-----------------|---------------------------------------------------------------|----------------------------------------------|----------------------------------------------|-----------------------------------------------|------------------|
| For the year ended 31 December 2024 |                 |                                                               |                                              |                                              |                                               |                  |
| Non-executive directors:            |                 |                                                               |                                              |                                              |                                               |                  |
| Yuebin Duan                         | -               | 1,325                                                         | 430                                          | 2,823                                        | 160                                           | 4,738            |
| Weiping Huang                       | -               | 690                                                           | -                                            | -                                            | -                                             | 690              |
| Shaoqian Jia                        | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Zhitao Yu                           | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| HSIEN-CHENG CHEN                    | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Jing Zhang                          | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Weiqiang Chen                       | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Subtotal                            | -               | 2,015                                                         | 430                                          | 2,823                                        | 160                                           | 5,428            |
| Supervisor:                         |                 |                                                               |                                              |                                              |                                               |                  |
| Zhenshun Liu                        | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Total                               | -               | 2,015                                                         | 430                                          | 2,823                                        | 160                                           | 5,428            |
| For the year ended 31 December 2025 |                 |                                                               |                                              |                                              |                                               |                  |
| Executive directors:                |                 |                                                               |                                              |                                              |                                               |                  |
| Jin Hong                            | -               | 1,727                                                         | 1,815                                        | -                                            | 44                                            | 3,586            |
| Hui Wang                            | -               | 510                                                           | 940                                          | -                                            | 43                                            | 1,493            |
| Subtotal                            | -               | 2,237                                                         | 2,755                                        | -                                            | 87                                            | 5,079            |
| Non-executive directors:            |                 |                                                               |                                              |                                              |                                               |                  |
| Weiping Huang                       | -               | 790                                                           | -                                            | -                                            | -                                             | 790              |
| Shaoqian Jia                        | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| HSIEN-CHENG CHEN                    | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Weiqiang Chen                       | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Zhitao Yu                           | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Jing Zhang                          | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Yuebin Duan                         | -               | 605                                                           | 2,201                                        | 2,144                                        | 68                                            | 5,018            |
| Subtotal                            | -               | 1,395                                                         | 2,201                                        | 2,144                                        | 68                                            | 5,808            |
| Supervisor:                         |                 |                                                               |                                              |                                              |                                               |                  |
| Zhenshun Liu                        | -               | -                                                             | -                                            | -                                            | -                                             | -                |
| Total                               | -               | 3,632                                                         | 4,956                                        | 2,144                                        | 155                                           | 10,887           |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 9. DIRECTORS' AND CHIEF SUPERVISORS' REMUNERATION (continued)

#### (b) Executive directors, non-executive directors and the supervisor (continued)

|                             | Fees    | Salaries,<br>allowances<br>and benefits<br>in kind | Performance<br>related<br>bonuses | Share-based<br>payment<br>expense | Pension<br>scheme<br>contributions | Total   |
|-----------------------------|---------|----------------------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|---------|
|                             | RMB'000 | RMB'000                                            | RMB'000                           | RMB'000                           | RMB'000                            | RMB'000 |
| For the six months ended 30 |         |                                                    |                                   |                                   |                                    |         |
| June 2025 (unaudited)       |         |                                                    |                                   |                                   |                                    |         |
| Non-executive directors:    |         |                                                    |                                   |                                   |                                    |         |
| Weiping Huang               | -       | 374                                                | -                                 | -                                 | -                                  | 374     |
| Shaoqian Jia                | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| HSIEN-CHENG CHEN            | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| Weiqiang Chen               | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| Zhitao Yu                   | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| Jing Zhang                  | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| Yuebin Duan                 | -       | 605                                                | 233                               | 2,144                             | 68                                 | 3,050   |
| Subtotal                    | -       | 979                                                | 233                               | 2,144                             | 68                                 | 3,424   |
| Supervisor:                 |         |                                                    |                                   |                                   |                                    |         |
| Zhenshun Liu                | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| Total                       | -       | 979                                                | 233                               | 2,144                             | 68                                 | 3,424   |
| For the six months ended 30 |         |                                                    |                                   |                                   |                                    |         |
| June 2026                   |         |                                                    |                                   |                                   |                                    |         |
| Executive directors:        |         |                                                    |                                   |                                   |                                    |         |
| Jin Hong                    | -       | 1,897                                              | 2,180                             | -                                 | 154                                | 4,231   |
| Hui Wang                    | -       | 664                                                | 347                               | -                                 | 54                                 | 1,065   |
| Subtotal                    | -       | 2,561                                              | 2,527                             | -                                 | 208                                | 5,296   |
| Non-executive directors:    |         |                                                    |                                   |                                   |                                    |         |
| Weiping Huang               | -       | 400                                                | -                                 | -                                 | -                                  | 400     |
| Shaoqian Jia                | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| Zhitao Yu                   | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| Jing Zhang                  | -       | -                                                  | -                                 | -                                 | -                                  | -       |
| Subtotal                    | -       | 400                                                | -                                 | -                                 | -                                  | 400     |
| Total                       | -       | 2,961                                              | 2,527                             | -                                 | 208                                | 5,696   |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 9. DIRECTORS' AND CHIEF SUPERVISORS' REMUNERATION (continued)

#### (b) Executive directors, non-executive directors and the supervisor (continued)

Note: According to the Group's profit sharing scheme, Mr. Yuebin Duan also be granted of RMB3,217,000, RMB1,372,000, RMB2,699,000, RMB2,699,000 and nil during the years ended 31 December 2023, 2024 and 2025, and the six months ended 30 June 2025 and 2026, respectively. The scheme has been terminated since April 2025.

Dr. Jin Hong and Ms. Hui Wang were appointed as the executive directors of the Company on 11 August 2025. Additionally, Mr. Yuebin Duan, Mr. Weiqiang Chen, Mr. HSIEN-CHENG CHEN and Mr. Zhenshun Liu resigned on 11 August 2025.

There was no arrangement under which a director or the supervisor waived or agreed to waive any remuneration during the Relevant Periods.

### 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director during the years ended 31 December 2023, 2024 and the six months ended 30 June 2025, included three directors during the years ended 31 December 2025, and included two directors during the six months ended 30 June 2026, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining highest paid employees who are not a director of the Company:

|                                              | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|----------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Fees                                         | -                                            | -                                            | -                                            | -                                                             | -                                              |
| Other emoluments:                            |                                              |                                              |                                              |                                                               |                                                |
| Salaries, allowances and<br>benefits in kind | 7,103                                        | 10,561                                       | 4,301                                        | 4,032                                                         | 3,353                                          |
| Performance related bonuses                  | 1,349                                        | 2,999                                        | 3,079                                        | 2,076                                                         | 1,338                                          |
| Share-based payment expense                  | 385                                          | -                                            | 909                                          | 1,125                                                         | -                                              |
| Pension scheme contributions                 | 682                                          | 833                                          | 468                                          | 3,666                                                         | 406                                            |
| Subtotal                                     | 9,519                                        | 14,393                                       | 8,757                                        | 10,899                                                        | 5,097                                          |
| Profit sharing bonus                         | 2,471                                        | -                                            | -                                            | 605                                                           | -                                              |
| Total                                        | 11,990                                       | 14,393                                       | 8,757                                        | 11,504                                                        | 5,097                                          |

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

|                              | Year ended<br>31 December<br>2023 | Year ended<br>31 December<br>2024 | Year ended<br>31 December<br>2025 | Six months<br>ended 30 June<br>2025<br>(unaudited) | Six months<br>ended 30 June<br>2026 |
|------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------------------------------------|-------------------------------------|
| Nil to RMB1,000,000          | -                                 | -                                 | -                                 | -                                                  | -                                   |
| RMB1,000,001 to RMB2,000,000 | -                                 | -                                 | -                                 | -                                                  | 3                                   |
| RMB2,000,001 to RMB3,000,000 | 3                                 | 3                                 | -                                 | 3                                                  | -                                   |
| RMB3,000,001 to RMB4,000,000 | 1                                 | -                                 | -                                 | -                                                  | -                                   |
| RMB4,000,001 to RMB5,000,000 | -                                 | -                                 | 2                                 | 1                                                  | -                                   |
| More than RMB5,000,000       | -                                 | 1                                 | -                                 | -                                                  | -                                   |
| Total                        | 4                                 | 4                                 | 2                                 | 4                                                  | 3                                   |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 11. INCOME TAX EXPENSES

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 or operated.

#### Chinese mainland

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate for the Group’s PRC subsidiaries is 25% unless subject to preferential tax as set out below.

Qingdao Broadband was qualified as a High and New Technology Enterprise (“HNTE”) on 14 December 2021 to 13 December 2024, 4 December 2024 to 3 December 2027 and was entitled to a preferential tax rate of 15% during the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC every three years.

#### United States of America

The subsidiaries incorporated in the United States of America are subject to federal income tax at a rate of 21%, California state and New Jersey income tax at rates of 8.84% and 6.5%, respectively.

#### Thailand

LigentComm has received Thailand promotional privileges from the Board of Investment for the manufacture of telecommunication components and products. The privileges include an exemption from corporate income tax on net profits derived from the promoted operations.

#### Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 8.25% for taxable income not exceeding HKD2,000,000, and 16.5% for taxable income exceeding HKD2,000,000 on any estimated assessable profits arising in Hong Kong during the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

|                                        | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|----------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Current income tax                     |                                              |                                              |                                              |                                                               |                                                |
| -Chinese mainland                      |                                              |                                              |                                              |                                                               |                                                |
| Charge for the year/period             | 2,257                                        | 6,577                                        | 678                                          | 4                                                             | 80,312                                         |
| Under provision in prior years         | -                                            | -                                            | -                                            | -                                                             | 5,140                                          |
| -United States of America              | 10,271                                       | 11,796                                       | 11,666                                       | 3,738                                                         | 2,073                                          |
| -Hong Kong                             | 569                                          | 428                                          | 353                                          | 169                                                           | -                                              |
| Pillar Two income taxes - current tax* | -                                            | -                                            | -                                            | -                                                             | 20,321                                         |
| Deferred tax ( <i>note 21</i> )        | 13,881                                       | (9,892)                                      | 36,247                                       | 13,183                                                        | 25,095                                         |
| Total tax charge for the year/period   | 26,978                                       | 8,909                                        | 48,944                                       | 17,094                                                        | 132,941                                        |

\*The current tax expense mainly relates to Thailand.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 11. INCOME TAX EXPENSES (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

|                                                                                                    | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|----------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Profit before tax                                                                                  | <u>242,499</u>                               | <u>98,399</u>                                | <u>921,584</u>                               | <u>526,634</u>                                                | <u>793,932</u>                                 |
| Tax at the PRC EIT rate of 25%                                                                     | 60,625                                       | 24,600                                       | 230,396                                      | 131,658                                                       | 198,483                                        |
| Effect of different tax rates                                                                      | (14,832)                                     | (6,732)                                      | (117,743)                                    | (84,545)                                                      | (47,301)                                       |
| Additional deductible allowance for research and development expenses and others ( <i>note a</i> ) | (73,035)                                     | (77,361)                                     | (150,693)                                    | (73,103)                                                      | (30,451)                                       |
| Profits attributable to a joint venture ( <i>note b</i> )                                          | (32,965)                                     | (13,787)                                     | -                                            | -                                                             | -                                              |
| Expenses not deductible for tax                                                                    | 284                                          | 472                                          | 219                                          | 104                                                           | 2,807                                          |
| Tax losses utilized from previous periods                                                          | -                                            | -                                            | (93,786)                                     | (87,408)                                                      | (23,075)                                       |
| Adjustments in respect of current tax of previous periods                                          | -                                            | -                                            | -                                            | -                                                             | 5,140                                          |
| Tax losses and deductible temporary differences not recognized                                     | 86,901                                       | 81,717                                       | 180,551                                      | 130,388                                                       | 7,017                                          |
| Pillar Two income taxes - current tax                                                              | <u>-</u>                                     | <u>-</u>                                     | <u>-</u>                                     | <u>-</u>                                                      | <u>20,321</u>                                  |
| Tax charge for the year/period                                                                     | <u>26,978</u>                                | <u>8,909</u>                                 | <u>48,944</u>                                | <u>17,094</u>                                                 | <u>132,941</u>                                 |

Notes:

- According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim additional deduction of their research and development costs.
- The share of tax attributable to a joint venture amounting to RMB32,965,000, RMB13,787,000, nil, nil and nil during the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, respectively, were included in "Share of profits of a joint venture" in the consolidated statements of profit or loss.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **11. INCOME TAX EXPENSES (continued)**

Notes: (continued)

- (c) The Group is within the scope of the Organisation for Economic Co-operation and Development (“OECD”) Pillar Two model rules. The Group has applied the mandatory temporary exception under IAS 12 to the recognition and disclosure of deferred tax assets and liabilities arising from Pillar Two income taxes. Accordingly, the Group does not recognise deferred taxes in respect of such taxes and accounts for any Pillar Two top-up tax as current income tax when it is incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates.

Based on a preliminary assessment performed using information currently available, the Group has identified potential exposure to Pillar Two income taxes primarily arising from its operations in Thailand, where the effective tax rate is below the 15% minimum rate due to the application of tax incentives and preferential tax regimes. The estimated potential exposure to Pillar Two income taxes is approximately RMB20.3 million. This amount is subject to significant estimation uncertainty and may change as further guidance becomes available, including the application of OECD safe harbour rules and the finalisation of local implementing legislation. The Group will continue to monitor developments in Pillar Two legislation and assess the impact on its financial statements.

### **12. DIVIDENDS**

The Board of Directors approved the profit distribution plans for the year 2022 on 10 January 2023 and 1 June 2023. Pursuant to this, the Company declared dividends of RMB12.65 per share (totaling RMB187,979,000) and dividends of RMB5.05 per share (totaling RMB71,441,000) for the year ended 31 December 2022 on 10 January 2023 and 1 June 2023, respectively, of which RMB180,251,000 was paid in February 2023 and RMB68,358,000 was paid in July 2023.

The Board of Directors approved the profit distribution plans for the year 2023 on 17 January 2024 and 16 April 2024. Pursuant to this, the Company declared dividends of RMB5.75 per share (totaling RMB85,644,000) and dividends of RMB2.55 per share (totaling RMB37,936,000) for the year ended 31 December 2023 on 17 January 2024 and 16 April 2024, respectively, of which RMB85,644,000 was paid in January 2024 and RMB37,936,000 was paid in May 2024.

The Board of Directors approved the profit distribution plans for the year 2024 on 15 January 2025 and 16 April 2025. Pursuant to this, the Company declared dividends of RMB1.63 per share (totaling RMB23,976,000) and dividends of RMB1.86 per share (totaling RMB27,297,000) for the year ended 31 December 2024 on 15 January 2025 and 16 April 2025, respectively, of which RMB23,976,000 was paid in January 2025, RMB27,297,000 was paid in May 2025 and RMB13,663,000 was paid in June 2025.

The aforesaid amounts included dividends of RMB46,083,000, RMB21,953,000, RMB9,108,000 and nil paid to a shareholder with ordinary share redemption option during the years ended 31 December 2023, 2024, 2025 and the six months ended 30 June 2026, respectively. The amounts paid were deemed as settlement of financial liabilities at fair value through profit or loss during the Relevant Periods (note 35).

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods and attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the Relevant Periods. As the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods, no adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods.

The weighted average number of ordinary shares used for calculating basic earnings per share has been retroactively adjusted to reflect the share sub-division which took place on 11 August 2025.

The calculations of basic and diluted earnings per share are based on:

|                                                                                | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|--------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| <b>Earnings</b>                                                                |                                              |                                              |                                              |                                                               |                                                |
| Profit attributable to ordinary equity holders of the parent                   | <u>215,521</u>                               | <u>89,490</u>                                | <u>875,869</u>                               | <u>509,540</u>                                                | <u>656,102</u>                                 |
|                                                                                | Year ended<br>31 December<br>2023            | Year ended<br>31 December<br>2024            | Year ended<br>31 December<br>2025            | Six months<br>ended 30 June<br>2025<br>(unaudited)            | Six months<br>ended 30 June<br>2026            |
| <b>Shares</b>                                                                  |                                              |                                              |                                              |                                                               |                                                |
| Weighted average number of ordinary shares outstanding during the year/period* | <u>750,541,148</u>                           | <u>751,938,136</u>                           | <u>775,650,098</u>                           | <u>750,908,028</u>                                            | <u>810,926,800</u>                             |

\* The weighted average number of shares was after taking into account the effect of treasury shares held.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 14. PROPERTY, PLANT AND EQUIPMENT

|                                                               | Buildings<br>RMB'000 | Freehold<br>land<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Plant and<br>machinery<br>RMB'000 | Furniture<br>and<br>fixtures<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------------------------------|----------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------------|------------------------------|----------------------------------------|------------------|
| <b>31 December 2023</b>                                       |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| At 1 January 2023:                                            |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| Cost                                                          | 144,399              | 18,193                      | 18,275                               | 1,388,138                         | 8,673                                   | 756                          | 40,531                                 | 1,618,965        |
| Accumulated<br>depreciation                                   | (36,627)             | -                           | (13,237)                             | (870,372)                         | (4,317)                                 | (462)                        | -                                      | (925,015)        |
| Net carrying<br>amount                                        | <u>107,772</u>       | <u>18,193</u>               | <u>5,038</u>                         | <u>517,766</u>                    | <u>4,356</u>                            | <u>294</u>                   | <u>40,531</u>                          | <u>693,950</u>   |
| At 1 January 2023,<br>net of<br>accumulated<br>depreciation   | 107,772              | 18,193                      | 5,038                                | 517,766                           | 4,356                                   | 294                          | 40,531                                 | 693,950          |
| Additions                                                     | -                    | -                           | 6,676                                | 152,739                           | 583                                     | 41                           | 67,667                                 | 227,706          |
| Disposals                                                     | -                    | -                           | -                                    | (6,891)                           | (1)                                     | (2)                          | -                                      | (6,894)          |
| Depreciation<br>provided during<br>the year (note 7)          | (4,467)              | -                           | (4,403)                              | (157,381)                         | (1,239)                                 | (79)                         | -                                      | (167,569)        |
| Transfers                                                     | -                    | -                           | -                                    | 50,977                            | 5                                       | -                            | (50,982)                               | -                |
| Exchange<br>realignment                                       | <u>435</u>           | <u>309</u>                  | <u>27</u>                            | <u>1,569</u>                      | <u>68</u>                               | <u>-</u>                     | <u>369</u>                             | <u>2,777</u>     |
| At 31 December<br>2023, net of<br>accumulated<br>depreciation | <u>103,740</u>       | <u>18,502</u>               | <u>7,338</u>                         | <u>558,779</u>                    | <u>3,772</u>                            | <u>254</u>                   | <u>57,585</u>                          | <u>749,970</u>   |
| At 31 December<br>2023:                                       |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| Cost                                                          | 144,978              | 18,502                      | 25,155                               | 1,541,859                         | 9,410                                   | 747                          | 57,585                                 | 1,798,236        |
| Accumulated<br>depreciation                                   | (41,238)             | -                           | (17,817)                             | (983,080)                         | (5,638)                                 | (493)                        | -                                      | (1,048,266)      |
| Net carrying<br>amount                                        | <u>103,740</u>       | <u>18,502</u>               | <u>7,338</u>                         | <u>558,779</u>                    | <u>3,772</u>                            | <u>254</u>                   | <u>57,585</u>                          | <u>749,970</u>   |



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

|                                                               | Buildings<br>RMB'000 | Freehold<br>land<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Plant and<br>machinery<br>RMB'000 | Furniture<br>and<br>fixtures<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------------------------------|----------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------------|------------------------------|----------------------------------------|------------------|
| <b>31 December 2024</b>                                       |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| At 1 January 2024:                                            |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| Cost                                                          | 144,978              | 18,502                      | 25,155                               | 1,541,859                         | 9,410                                   | 747                          | 57,585                                 | 1,798,236        |
| Accumulated depreciation                                      | (41,238)             | -                           | (17,817)                             | (983,080)                         | (5,638)                                 | (493)                        | -                                      | (1,048,266)      |
| Net carrying amount                                           | <u>103,740</u>       | <u>18,502</u>               | <u>7,338</u>                         | <u>558,779</u>                    | <u>3,772</u>                            | <u>254</u>                   | <u>57,585</u>                          | <u>749,970</u>   |
| At 1 January 2024,<br>net of<br>accumulated<br>depreciation   | 103,740              | 18,502                      | 7,338                                | 558,779                           | 3,772                                   | 254                          | 57,585                                 | 749,970          |
| Additions                                                     | -                    | -                           | 5,956                                | 405,342                           | 396                                     | 52                           | 392,061                                | 803,807          |
| Disposals                                                     | -                    | -                           | -                                    | (7,473)                           | (36)                                    | -                            | -                                      | (7,509)          |
| Depreciation<br>provided during<br>the year (note 7)          | (4,724)              | -                           | (7,295)                              | (212,469)                         | (1,259)                                 | (91)                         | -                                      | (225,838)        |
| Impairments (note 7)                                          | -                    | -                           | -                                    | (7,456)                           | -                                       | -                            | -                                      | (7,456)          |
| Transfers                                                     | 19,085               | -                           | 6,597                                | 275,335                           | 13                                      | 152                          | (301,182)                              | -                |
| Exchange<br>realignment                                       | <u>370</u>           | <u>276</u>                  | <u>200</u>                           | <u>3,881</u>                      | <u>37</u>                               | <u>7</u>                     | <u>132</u>                             | <u>4,903</u>     |
| At 31 December<br>2024, net of<br>accumulated<br>depreciation | <u>118,471</u>       | <u>18,778</u>               | <u>12,796</u>                        | <u>1,015,939</u>                  | <u>2,923</u>                            | <u>374</u>                   | <u>148,596</u>                         | <u>1,317,877</u> |
| At 31 December<br>2024:                                       |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| Cost                                                          | 164,583              | 18,778                      | 38,211                               | 2,182,942                         | 9,688                                   | 959                          | 148,596                                | 2,563,757        |
| Accumulated depreciation                                      | (46,112)             | -                           | (25,415)                             | (1,167,003)                       | (6,765)                                 | (585)                        | -                                      | (1,245,880)      |
| Net carrying amount                                           | <u>118,471</u>       | <u>18,778</u>               | <u>12,796</u>                        | <u>1,015,939</u>                  | <u>2,923</u>                            | <u>374</u>                   | <u>148,596</u>                         | <u>1,317,877</u> |

As at 31 December 2024, the carrying amounts of certain machineries have been reduced to their recoverable amounts of RMB1,075,000 through recognition of an impairment loss of RMB7,456,000 mainly due to the restructuring of optical transceivers business. The recoverable amounts of machineries were their expected net salvage values.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

|                                                               | Buildings<br>RMB'000 | Freehold<br>land<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Plant and<br>machinery<br>RMB'000 | Furniture<br>and<br>fixtures<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------------------------------|----------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------------|------------------------------|----------------------------------------|------------------|
| <b>31 December 2025</b>                                       |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| At 1 January 2025:                                            |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| Cost                                                          | 164,583              | 18,778                      | 38,211                               | 2,182,942                         | 9,688                                   | 959                          | 148,596                                | 2,563,757        |
| Accumulated<br>depreciation                                   | (46,112)             | -                           | (25,415)                             | (1,167,003)                       | (6,765)                                 | (585)                        | -                                      | (1,245,880)      |
| Net carrying<br>amount                                        | <u>118,471</u>       | <u>18,778</u>               | <u>12,796</u>                        | <u>1,015,939</u>                  | <u>2,923</u>                            | <u>374</u>                   | <u>148,596</u>                         | <u>1,317,877</u> |
| At 1 January 2025<br>net of<br>accumulated<br>depreciation    | 118,471              | 18,778                      | 12,796                               | 1,015,939                         | 2,923                                   | 374                          | 148,596                                | 1,317,877        |
| Additions                                                     | -                    | -                           | 5,238                                | 144,461                           | 1,222                                   | 4,694                        | 150,506                                | 306,121          |
| Disposals                                                     | -                    | -                           | -                                    | (6,492)                           | (16)                                    | (45)                         | -                                      | (6,553)          |
| Depreciation<br>provided during<br>the year (note 7)          | (5,076)              | -                           | (17,605)                             | (288,170)                         | (771)                                   | (351)                        | -                                      | (311,973)        |
| Impairments (note 7)                                          | -                    | -                           | -                                    | (4,216)                           | -                                       | -                            | -                                      | (4,216)          |
| Transfers                                                     | -                    | -                           | 37,295                               | 230,604                           | -                                       | -                            | (267,899)                              | -                |
| Exchange<br>realignment                                       | (540)                | (417)                       | 710                                  | 4,405                             | (8)                                     | 7                            | -                                      | 4,157            |
| At 31 December<br>2025, net of<br>accumulated<br>depreciation | <u>112,855</u>       | <u>18,361</u>               | <u>38,434</u>                        | <u>1,096,531</u>                  | <u>3,350</u>                            | <u>4,679</u>                 | <u>31,203</u>                          | <u>1,305,413</u> |
| At 31 December<br>2025                                        |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| Cost                                                          | 163,798              | 18,361                      | 82,055                               | 2,495,136                         | 10,483                                  | 5,476                        | 31,203                                 | 2,806,512        |
| Accumulated<br>depreciation                                   | (50,943)             | -                           | (43,621)                             | (1,398,605)                       | (7,133)                                 | (797)                        | -                                      | (1,501,099)      |
| Net carrying<br>amount                                        | <u>112,855</u>       | <u>18,361</u>               | <u>38,434</u>                        | <u>1,096,531</u>                  | <u>3,350</u>                            | <u>4,679</u>                 | <u>31,203</u>                          | <u>1,305,413</u> |

As at 31 December 2025, the carrying amounts of certain machineries have been reduced to their recoverable amounts of RMB561,000 through recognition of an impairment loss of RMB4,216,000 mainly due to the restructuring of optical transceivers business. The recoverable amounts of machineries were their expected net salvage values.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

|                                                            | Buildings<br>RMB'000 | Freehold<br>land<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Plant and<br>machinery<br>RMB'000 | Furniture<br>and<br>fixtures<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|------------------------------------------------------------|----------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------------|------------------------------|----------------------------------------|------------------|
| 30 June 2026                                               |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| At 1 January 2026:                                         |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| Cost                                                       | 163,798              | 18,361                      | 82,055                               | 2,495,136                         | 10,483                                  | 5,476                        | 31,203                                 | 2,806,512        |
| Accumulated<br>depreciation                                | (50,943)             | -                           | (43,621)                             | (1,398,605)                       | (7,133)                                 | (797)                        | -                                      | (1,501,099)      |
| Net carrying<br>amount                                     | <u>112,855</u>       | <u>18,361</u>               | <u>38,434</u>                        | <u>1,096,531</u>                  | <u>3,350</u>                            | <u>4,679</u>                 | <u>31,203</u>                          | <u>1,305,413</u> |
| At 1 January 2026<br>net of<br>accumulated<br>depreciation | 112,855              | 18,361                      | 38,434                               | 1,096,531                         | 3,350                                   | 4,679                        | 31,203                                 | 1,305,413        |
| Additions                                                  | 239                  | -                           | 9,082                                | 218,803                           | 676                                     | 547                          | 154,733                                | 384,080          |
| Disposals                                                  | -                    | -                           | (173)                                | (647)                             | -                                       | (11)                         | -                                      | (831)            |
| Depreciation<br>provided during<br>the period (note 7)     | (2,521)              | -                           | (11,978)                             | (171,617)                         | (521)                                   | (646)                        | -                                      | (187,283)        |
| Impairments (note 7)                                       | -                    | -                           | -                                    | (2,580)                           | -                                       | -                            | -                                      | (2,580)          |
| Transfers                                                  | -                    | -                           | -                                    | 29,484                            | 219                                     | (65)                         | (29,638)                               | -                |
| Exchange<br>realignment                                    | (734)                | (569)                       | (2,174)                              | (16,440)                          | (169)                                   | (8)                          | (4,896)                                | (24,990)         |
| At 30 June 2026, net<br>of accumulated<br>depreciation     | <u>109,839</u>       | <u>17,792</u>               | <u>33,191</u>                        | <u>1,153,534</u>                  | <u>3,555</u>                            | <u>4,496</u>                 | <u>151,402</u>                         | <u>1,473,809</u> |
| At 30 June 2026                                            |                      |                             |                                      |                                   |                                         |                              |                                        |                  |
| Cost                                                       | 162,963              | 17,792                      | 86,930                               | 2,697,580                         | 10,895                                  | 5,856                        | 151,402                                | 3,133,418        |
| Accumulated<br>depreciation                                | (53,124)             | -                           | (53,739)                             | (1,544,046)                       | (7,340)                                 | (1,360)                      | -                                      | (1,659,609)      |
| Net carrying<br>amount                                     | <u>109,839</u>       | <u>17,792</u>               | <u>33,191</u>                        | <u>1,153,534</u>                  | <u>3,555</u>                            | <u>4,496</u>                 | <u>151,402</u>                         | <u>1,473,809</u> |

As at 30 June 2026, the carrying amounts of certain machineries have been reduced to their recoverable amounts of RMB260,000 through recognition of an impairment loss of RMB2,580,000 related to our equipment that went obsolete. The recoverable amounts of machineries were their expected net salvage values.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 15. LEASES

#### The Group as a lessee

The Group has lease contracts for leasehold land, machinery and offices used in its operations. Leases of leasehold land generally have lease terms of 50 years and offices generally have lease terms between 2 and 10 years, while the leases of machinery have lease terms of 2 years. 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 Relevant Periods are as follows:

|                                              | Note | Machinery<br>RMB'000 | Offices<br>RMB'000 | Leasehold<br>land<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------------------|------|----------------------|--------------------|------------------------------|------------------|
| As at 1 January 2023                         |      | 191                  | 49,215             | 15,052                       | 64,458           |
| Additions                                    |      | -                    | 10,094             | -                            | 10,094           |
| Depreciation charge                          | 7    | (175)                | (12,160)           | (367)                        | (12,702)         |
| Exchange realignment                         |      | (16)                 | 130                | -                            | 114              |
| As at 31 December 2023<br>and 1 January 2024 |      | -                    | 47,279             | 14,685                       | 61,964           |
| Additions                                    |      | -                    | 51,097             | -                            | 51,097           |
| Depreciation charge                          | 7    | -                    | (14,778)           | (367)                        | (15,145)         |
| Exchange realignment                         |      | -                    | 300                | -                            | 300              |
| As at 31 December 2024<br>and 1 January 2025 |      | -                    | 83,898             | 14,318                       | 98,216           |
| Additions                                    |      | -                    | 31,730             | -                            | 31,730           |
| Depreciation charge                          | 7    | -                    | (18,765)           | (367)                        | (19,132)         |
| Termination                                  |      | -                    | (13,586)           | -                            | (13,586)         |
| Exchange realignment                         |      | -                    | 356                | -                            | 356              |
| As at 31 December 2025<br>and 1 January 2026 |      | -                    | 83,633             | 13,951                       | 97,584           |
| Additions                                    |      | -                    | 58,169             | -                            | 58,169           |
| Depreciation charge                          | 7    | -                    | (20,620)           | (184)                        | (20,804)         |
| Exchange realignment                         |      | -                    | (1,878)            | -                            | (1,878)          |
| As at 30 June 2026                           |      |                      | 119,304            | 13,767                       | 133,071          |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 15. LEASES (continued)

#### (b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

|                                                               |      | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------------------------------------------------------|------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
|                                                               | Note |                                |                                |                                |                            |
| At beginning of year/period                                   |      | 51,418                         | 49,790                         | 87,110                         | 87,221                     |
| New leases                                                    |      | 10,094                         | 51,097                         | 31,730                         | 58,169                     |
| Accretion of interest<br>recognized during the<br>year/period | 8    | 2,477                          | 4,040                          | 3,896                          | 2,222                      |
| Payments                                                      |      | (14,359)                       | (18,063)                       | (20,291)                       | (25,312)                   |
| Termination                                                   |      | -                              | -                              | (15,188)                       | -                          |
| Exchange realignment                                          |      | 160                            | 246                            | (36)                           | (1,995)                    |
| At end of year/period                                         |      | <u>49,790</u>                  | <u>87,110</u>                  | <u>87,221</u>                  | <u>120,305</u>             |
| Analyzed into:                                                |      |                                |                                |                                |                            |
| Current portion                                               |      | 10,010                         | 19,050                         | 25,745                         | 43,321                     |
| Non-current portion                                           |      | <u>39,780</u>                  | <u>68,060</u>                  | <u>61,476</u>                  | <u>76,984</u>              |

The maturity analysis of lease liabilities is disclosed in note 44 to the Historical Financial Information.

(c) The amounts recognized in consolidated statements of profit or loss in relation to leases are as follows:

|                                                                    | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|--------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Interest on lease liabilities                                      | 2,477                          | 4,040                          | 3,896                          | 2,222                      |
| Depreciation charge of right-<br>of-use assets                     | 12,702                         | 15,145                         | 19,132                         | 20,804                     |
| Expenses relating to short-<br>term leases and low-value<br>leases | <u>7,335</u>                   | <u>8,037</u>                   | <u>5,981</u>                   | <u>2,528</u>               |
| Total amount recognized in<br>profit or loss                       | <u>22,514</u>                  | <u>27,222</u>                  | <u>29,009</u>                  | <u>25,554</u>              |

(d) The total cash outflow for leases are disclosed in note 37(c).

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 16. INVESTMENT IN A JOINT VENTURE

|                     | <u>31 December</u><br><u>2023</u><br>RMB'000 | <u>31 December</u><br><u>2024</u><br>RMB'000 | <u>31 December</u><br><u>2025</u><br>RMB'000 | <u>30 June</u><br><u>2026</u><br>RMB'000 |
|---------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------|
| Share of net assets | <u>371,182</u>                               | <u>347,215</u>                               | <u>-</u>                                     | <u>-</u>                                 |

During the year ended 31 December 2025, the Group disposed its 50% equity interests in Qingdao Xinghang Photoelectric Technology Co., Ltd. ("Qingdao Xinghang"), a joint venture of the Group, through disposal of a wholly-owned subsidiary, Qingdao Optical Interconnection Technology Co., Ltd. to Qingdao Gaoshi Industrial Investment Holdings Co., Ltd. ("Gaoshi"), at a cash consideration of RMB700,000,000 and recognized a gain on disposal of the joint venture amounting to RMB352,785,000 during the year ended 31 December 2025. The Group's outstanding balances as at 31 December 2023 and 2024, with the joint venture are disclosed in note 41.

Particulars of the Group's material joint venture as at 31 December 2023 and 2024 is as follows:

| <u>Name</u>         | <u>Particular of<br/>issued<br/>shares held</u> | <u>Place of<br/>registration<br/>and business</u> | <u>Percentage of</u>          |                         |                           | <u>Principal<br/>activities</u>                                    |
|---------------------|-------------------------------------------------|---------------------------------------------------|-------------------------------|-------------------------|---------------------------|--------------------------------------------------------------------|
|                     |                                                 |                                                   | <u>Ownership<br/>interest</u> | <u>Voting<br/>power</u> | <u>Profit<br/>sharing</u> |                                                                    |
| Qingdao<br>Xinghang | <u>Ordinary<br/>shares</u>                      | <u>PRC/ Chinese<br/>mainland</u>                  | <u>50</u>                     | <u>50</u>               | <u>50</u>                 | <u>Manufacture<br/>and sales of<br/>photoelectric<br/>products</u> |

Qingdao Xinghang, which is considered a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarized financial information in respect of Qingdao Xinghang adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 16. INVESTMENT IN A JOINT VENTURE (continued)

The following table illustrates the summarized financial information in respect of Qingdao Xinghang adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

|                                                              | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 |
|--------------------------------------------------------------|--------------------------------|--------------------------------|
| Cash and cash equivalents                                    | 132,743                        | 517,330                        |
| Other current assets                                         | 702,144                        | 238,532                        |
| Current assets                                               | 834,887                        | 755,862                        |
| Non-current assets                                           | 27,439                         | 29,413                         |
| Current liabilities                                          | (118,090)                      | (89,075)                       |
| Non-current liabilities                                      | (1,872)                        | (1,771)                        |
| Net assets                                                   | 742,364                        | 694,429                        |
| Reconciliation to the Group's interest in the joint venture: |                                |                                |
| Proportion of the Group's ownership                          | 50%                            | 50%                            |
| Carrying amount of the investment                            | 371,182                        | 347,215                        |
| Revenue                                                      | 579,782                        | 349,912                        |
| Interest income                                              | 2,403                          | 1,049                          |
| Depreciation and amortization                                | (7,674)                        | (7,297)                        |
| Tax                                                          | (36,396)                       | (9,859)                        |
| Profit and total comprehensive income for the year           | 263,720                        | 110,297                        |

### 17. OTHER INTANGIBLE ASSETS

|                                                         | Software<br>RMB'000 |
|---------------------------------------------------------|---------------------|
| Cost at 1 January 2023, net of accumulated amortization | 6,150               |
| Additions                                               | 3,089               |
| Amortization provided during the year (note 7)          | (2,854)             |
| Exchange realignment                                    | 4                   |
| At 31 December 2023, net of accumulated amortization    | 6,389               |
| At 31 December 2023                                     |                     |
| Cost                                                    | 31,103              |
| Accumulated amortization                                | (24,714)            |
| Net carrying amount                                     | 6,389               |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 17. OTHER INTANGIBLE ASSETS (continued)

|                                                         | Software<br>RMB'000 |
|---------------------------------------------------------|---------------------|
| Cost at 1 January 2024, net of accumulated amortization | 6,389               |
| Additions                                               | 3,342               |
| Amortization provided during the year (note 7)          | (2,628)             |
| Exchange realignment                                    | 23                  |
|                                                         | <u>7,126</u>        |
| At 31 December 2024, net of accumulated amortization    | <u>7,126</u>        |
| At 31 December 2024                                     |                     |
| Cost                                                    | 34,492              |
| Accumulated amortization                                | (27,366)            |
|                                                         | <u>7,126</u>        |
| Net carrying amount                                     | <u>7,126</u>        |
|                                                         | Software<br>RMB'000 |
| Cost at 1 January 2025, net of accumulated amortization | 7,126               |
| Additions                                               | 11,787              |
| Amortization provided during the year (note 7)          | (4,359)             |
| Exchange realignment                                    | (30)                |
|                                                         | <u>14,524</u>       |
| At 31 December 2025, net of accumulated amortization    | <u>14,524</u>       |
| At 31 December 2025                                     |                     |
| Cost                                                    | 46,223              |
| Accumulated amortization                                | (31,699)            |
|                                                         | <u>14,524</u>       |
| Net carrying amount                                     | <u>14,524</u>       |
|                                                         | Software<br>RMB'000 |
| Cost at 1 January 2026, net of accumulated amortization | 14,524              |
| Additions                                               | 468                 |
| Amortization provided during the period (note 7)        | (2,208)             |
| Exchange realignment                                    | (36)                |
|                                                         | <u>12,748</u>       |
| At 30 June 2026, net of accumulated amortization        | <u>12,748</u>       |
| At 30 June 2026                                         |                     |
| Cost                                                    | 46,581              |
| Accumulated amortization                                | (33,833)            |
|                                                         | <u>12,748</u>       |
| Net carrying amount                                     | <u>12,748</u>       |



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 18. INVESTMENTS IN SUBSIDIARIES

At the end of each of the Relevant Periods, the Company's investments in subsidiaries were as follows:

|                     | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Qingdao Broadband   | 136,576                        | 138,614                        | 135,536                        | 131,335                    |
| LigentCom           | 136,645                        | -                              | -                              | -                          |
| Ligent Tech         | 23,575                         | -                              | -                              | -                          |
| HK Broadband        | 7,270                          | 7,379                          | 7,215                          | 6,991                      |
| Ligent Inc.         | -                              | 189,694                        | 185,483                        | 179,733                    |
| Xiamen Lianzhiguang | -                              | -                              | 768,784                        | 762,036                    |
|                     | <u>304,066</u>                 | <u>335,687</u>                 | <u>1,097,018</u>               | <u>1,080,095</u>           |

Note: Ligent Inc. has consolidated LigentCom and Ligent Tech since April 2024.

### 19. GOODWILL

RMB'000

Cost and net carrying amount at 31 December 2023, 31 December 2024, 31  
December 2025 and 30 June 2026

26,468

#### Impairment testing of goodwill

Goodwill of the Group arose from the acquisition of LigentCom in 2012. LigentCom is engaged in the manufacturing of chips and is considered as a cash-generating unit ("LigentCom CGU") that generates independent cash flows.

Goodwill acquired through business combinations was allocated to the LigentCom CGU for impairment testing.

The recoverable amount of the LigentCom CGU has been determined by reference to the fair value less costs of disposal. In assessing the fair value less costs of disposal, references were made to the valuation of the land, buildings, plant and machinery. Fair values of the land, buildings, plant and machinery were determined based on valuations performed by independent valuers (CHFT Advisory and Appraisal Limited) at year end using direct comparison method, which has used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in IFRS 13). The recoverable amount of LigentCom CGU were RMB195 million, RMB199 million and RMB195 million, respectively, and the carrying amount of LigentCom CGU (including goodwill) were RMB137 million, RMB131 million and RMB116 million as at 31 December 2023, 2024 and 2025, respectively. The key parameter is the selling price of the land located in the US, which averaged at USD84.18 per sq. feet, USD86.75 per sq. feet and USD88.37 per sq. feet, as at 31 December 2023, 2024 and 2025, respectively. The headroom were RMB58 million, RMB68 million and RMB79 million as at 31 December 2023, 2024 and 2025, respectively. Market approach measures the fair value of the land by making comparison based on prices realized or market prices of comparable land of similar size, character and location. Significant decreases in estimated selling price per square feet would result in a significantly lower recoverable amount of the LigentCom CGU. In the opinion of the directors of the Company, there is no reasonably possible change in the key assumptions and has not identified any instances that would cause the carrying amount of LigentCom CGU to exceed its recoverable amount.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 19. GOODWILL (continued)

#### Impairment testing of goodwill (continued)

The key assumptions were applied for the valuation were as follows:

- Current national laws, regulations, tax policies, and macroeconomic conditions remain stable without material adverse changes;
- Assets are transacted under arm's-length terms with adequate market exposure;
- Industry dynamics in the photonics manufacturing sector follow current market trends; and
- Costs of disposal of 5%, which is based on industry benchmarks for specialized manufacturing assets and historical experience with transactions involving similar equipment. This reflects typical commissions, dismantling, and regulatory compliance costs associated with such transactions.

#### Impairment testing of goodwill as of June 30, 2026

The Group did not perform quantitative impairment test for above goodwill as of 30 June 2026, since the Group's accounting policy is to perform impairment test annually at 31 December, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with IAS 36, Impairment of assets. The Group did not identify any indication that the goodwill would be impaired as of 30 June, 2026.

### 20. PREPAYMENTS AND OTHER RECEIVABLES

#### The Group

|                                                         | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Current:                                                |                                |                                |                                |                            |
| Prepayments                                             | 70,475                         | 114,735                        | 105,836                        | 959,152                    |
| Other receivables                                       | 14,574                         | 20,686                         | 17,839                         | 20,691                     |
| Value added tax recoverable<br>and prepaid tax expenses | 30,213                         | 95,501                         | 140,539                        | 241,213                    |
| Listing expenses                                        | -                              | -                              | 6,320                          | 8,865                      |
| Due from related<br>parties(note)                       | 1,211,641                      | 1,622,627                      | 264                            | 5,380                      |
|                                                         | 1,326,903                      | 1,853,549                      | 270,798                        | 1,235,301                  |
| Impairments                                             | (2,837)                        | (3,526)                        | (3,069)                        | (3,032)                    |
| Subtotal                                                | 1,324,066                      | 1,850,023                      | 267,729                        | 1,232,269                  |
| Non-current:                                            |                                |                                |                                |                            |
| Prepayments                                             | 59,087                         | 27,589                         | 77,211                         | 834,417                    |
| Other receivables                                       | 8,761                          | 12,278                         | 950                            | 2,255                      |
| Subtotal                                                | 67,848                         | 39,867                         | 78,161                         | 836,672                    |
| Total                                                   | 1,391,914                      | 1,889,890                      | 345,890                        | 2,068,941                  |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 20. PREPAYMENTS AND OTHER RECEIVABLES (continued)

#### The Group (continued)

Note: Included in the Group's due from related parties were mainly unsecured advances of RMB1,200,000,000 and RMB1,606,000,000 as of 31 December 2023 and 2024, respectively. According to the agreements between the Group and the related parties, the applicable interest rate ranged from 2.85% to 3.60%, with the term from 21 November 2022 to 21 December 2025. All advances to related parties were early settled in June 2025. The remaining balances were non-trade in nature, unsecured, interest-free and repayable on demand, and will be settled prior to the listing.

The movements in the loss allowance for impairment of other receivables are as follows:

|                                                     | <u>31 December</u><br><u>2023</u><br>RMB'000 | <u>31 December</u><br><u>2024</u><br>RMB'000 | <u>31 December</u><br><u>2025</u><br>RMB'000 | <u>30 June</u><br><u>2026</u><br>RMB'000 |
|-----------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------|
| At beginning of year/period                         | 2,549                                        | 2,837                                        | 3,526                                        | 3,069                                    |
| Impairment losses/(reversal of impairment) (note 7) | 284                                          | 683                                          | (464)                                        | (13)                                     |
| Exchange realignment                                | 4                                            | 6                                            | 7                                            | (24)                                     |
| At end of year/period                               | <u>2,837</u>                                 | <u>3,526</u>                                 | <u>3,069</u>                                 | <u>3,032</u>                             |

An impairment analysis is performed at each reporting date by considering the expected credit losses which are estimated by applying a loss rate approach. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

#### The Company

|                                 | <u>31 December</u><br><u>2023</u><br>RMB'000 | <u>31 December</u><br><u>2024</u><br>RMB'000 | <u>31 December</u><br><u>2025</u><br>RMB'000 | <u>30 June</u><br><u>2026</u><br>RMB'000 |
|---------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------|
| Listing expense                 | -                                            | -                                            | 6,320                                        | 8,865                                    |
| Due from related parties (note) | <u>269,822</u>                               | <u>194,763</u>                               | <u>138,056</u>                               | <u>134,076</u>                           |
| Total                           | <u>269,822</u>                               | <u>194,763</u>                               | <u>144,376</u>                               | <u>142,941</u>                           |

Note: Included in the Company's due from related parties were mainly unsecured advances to a subsidiary (LigentCom) of RMB131,476,000, RMB133,438,000, RMB130,476,000 and RMB126,431,000 as of 31 December 2023, 2024, 2025 and 30 June 2026, respectively. The balances also included dividends receivable from the Company's subsidiaries of RMB123,580,000, RMB52,341,000, nil and nil as of 31 December 2023, 2024, 2025 and 30 June 2026, respectively. The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 21. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

#### Deferred tax assets

|                                                                                                               | Impairment of<br>financial assets<br>and contact<br>assets | Impairment of<br>inventories<br>and PPE | Deferred<br>income and<br>accruals | Unrealized<br>profits from<br>intercompany<br>transactions | Unpaid<br>expense | Lease<br>liabilities | Deductible<br>tax loss | Share-based<br>payments<br>expense | Other intangible<br>assets<br>amortization | Fair value change<br>of derivative<br>financial<br>instruments | Total    |
|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------|------------------------------------|------------------------------------------------------------|-------------------|----------------------|------------------------|------------------------------------|--------------------------------------------|----------------------------------------------------------------|----------|
|                                                                                                               | RMB'000                                                    | RMB'000                                 | RMB'000                            | RMB'000                                                    | RMB'000           | RMB'000              | RMB'000                | RMB'000                            | RMB'000                                    | RMB'000                                                        | RMB'000  |
| At 1 January 2023                                                                                             | 994                                                        | 8,394                                   | 904                                | 9,049                                                      | 20,178            | 8,792                | -                      | 10,618                             | 961                                        | 429                                                            | 60,319   |
| Deferred tax (charged)/ credited to<br>the statement of profit or loss<br>during the year ( <i>note 11</i> )  | (78)                                                       | (1,098)                                 | 1,890                              | (5,108)                                                    | (249)             | 269                  | -                      | (675)                              | 65                                         | (317)                                                          | (5,301)  |
| Gross deferred tax assets at 31<br>December 2023                                                              | 916                                                        | 7,296                                   | 2,794                              | 3,941                                                      | 19,929            | 9,061                | -                      | 9,943                              | 1,026                                      | 112                                                            | 55,018   |
| Deferred tax (charged)/ credited to<br>the statement of profit or loss<br>during the year ( <i>note 11</i> )  | (105)                                                      | 5,200                                   | 600                                | 2,582                                                      | 120               | 6,020                | 77,571                 | 11,267                             | (10)                                       | 884                                                            | 104,129  |
| Gross deferred tax assets at 31<br>December 2024                                                              | 811                                                        | 12,496                                  | 3,394                              | 6,523                                                      | 20,049            | 15,081               | 77,571                 | 21,210                             | 1,016                                      | 996                                                            | 159,147  |
| Deferred tax credited/(charged) to the<br>statement of profit or loss during<br>the year ( <i>note 11</i> )   | 152                                                        | 2,957                                   | 13,681                             | (4,320)                                                    | (16,923)          | (3,124)              | (25,222)               | 159                                | (91)                                       | (996)                                                          | (33,727) |
| Gross deferred tax assets at 31<br>December 2025                                                              | 963                                                        | 15,453                                  | 17,075                             | 2,203                                                      | 3,126             | 11,957               | 52,349                 | 21,369                             | 925                                        | -                                                              | 125,420  |
| Deferred tax credited/(charged) to the<br>statement of profit or loss during<br>the period ( <i>note 11</i> ) | 152                                                        | 6,220                                   | 6,614                              | 31,899                                                     | (2,435)           | 8,997                | (23,069)               | (21,369)                           | (26)                                       | 55                                                             | 7,038    |
| Gross deferred tax assets at 30 June<br>2026                                                                  | 1,115                                                      | 21,673                                  | 23,689                             | 34,102                                                     | 691               | 20,954               | 29,280                 | -                                  | 899                                        | 55                                                             | 132,458  |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 21. DEFERRED TAX (continued)

#### Deferred tax liabilities

|                                                                                                         | Depreciation<br>allowance in<br>excess of related<br>depreciation<br>RMB'000 | Financial assets<br>designated as fair<br>value through profit<br>or loss<br>RMB'000 | Right-of-use assets<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------|------------------|
| At 31 December 2023                                                                                     | 38,076                                                                       | 303                                                                                  | 8,792                          | 47,171           |
| Deferred tax<br>(credited)/charged to the<br>statement of profit or loss<br>during the year (note 11)   | <u>7,578</u>                                                                 | <u>733</u>                                                                           | <u>269</u>                     | <u>8,580</u>     |
| Gross deferred tax liabilities at<br>31 December 2023                                                   | 45,654                                                                       | 1,036                                                                                | 9,061                          | 55,751           |
| Deferred tax<br>(credited)/charged to the<br>statement of profit or loss<br>during the year (note 11)   | <u>89,091</u>                                                                | <u>(874)</u>                                                                         | <u>6,020</u>                   | <u>94,237</u>    |
| Gross deferred tax liabilities at<br>31 December 2024                                                   | 134,745                                                                      | 162                                                                                  | 15,081                         | 149,988          |
| Deferred tax<br>(credited)/charged to the<br>statement of profit or loss<br>during the year (note 11)   | <u>5,374</u>                                                                 | <u>270</u>                                                                           | <u>(3,124)</u>                 | <u>2,520</u>     |
| Gross deferred tax liabilities at<br>31 December 2025                                                   | 140,119                                                                      | 432                                                                                  | 11,957                         | 152,508          |
| Deferred tax<br>(credited)/charged to the<br>statement of profit or loss<br>during the period (note 11) | <u>22,436</u>                                                                | <u>878</u>                                                                           | <u>8,819</u>                   | <u>32,133</u>    |
| Gross deferred tax liabilities at<br>30 June 2026                                                       | <u>162,555</u>                                                               | <u>1,310</u>                                                                         | <u>20,776</u>                  | <u>184,641</u>   |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 21. DEFERRED TAX (continued)

#### Deferred tax liabilities (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position.

|                                                                                                       | <u>31 December</u><br><u>2023</u><br>RMB'000 | <u>31 December</u><br><u>2024</u><br>RMB'000 | <u>31 December</u><br><u>2025</u><br>RMB'000 | <u>30 June</u><br><u>2026</u><br>RMB'000 |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------|
| Net deferred tax assets<br>recognized in the<br>consolidated statements of<br>financial position      | 3,941                                        | 9,159                                        | 2,203                                        | 34,102                                   |
| Net deferred tax liabilities<br>recognized in the<br>consolidated statements of<br>financial position | <u>4,674</u>                                 | <u>-</u>                                     | <u>29,291</u>                                | <u>86,285</u>                            |

The Group has tax losses arising in Chinese mainland of RMB352,831,000, RMB865,331,000, RMB281,355,000 and RMB96,071,000 as at 31 December 2023, 2024, 2025 and 30 June 2026, respectively, that will expire in one to ten years for offsetting against future taxable profits.

The Group has tax losses arising in the United States of America of RMB193,462,000, RMB135,086,000, RMB136,569,000 and RMB135,197,000 as at 31 December 2023, 2024, 2025 and 30 June 2026, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognized in respect of the following items:

|                                                                                       | <u>31 December</u><br><u>2023</u><br>RMB'000 | <u>31 December</u><br><u>2024</u><br>RMB'000 | <u>31 December</u><br><u>2025</u><br>RMB'000 | <u>30 June</u><br><u>2026</u><br>RMB'000 |
|---------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------|
| Fair value change of<br>financial liabilities at fair<br>value through profit or loss | 414,132                                      | 404,223                                      | -                                            | -                                        |
| Share-based payments<br>expense                                                       | 68,546                                       | -                                            | -                                            | -                                        |
| Tax losses                                                                            | <u>546,293</u>                               | <u>1,000,417</u>                             | <u>417,924</u>                               | <u>231,268</u>                           |
| Total                                                                                 | <u>1,028,971</u>                             | <u>1,404,640</u>                             | <u>417,924</u>                               | <u>231,268</u>                           |

Deferred tax assets have not been recognized in respect of these tax losses and deductible temporary differences as they have arisen in the subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 21. DEFERRED TAX (continued)

#### Deferred tax liabilities (continued)

At 31 December 2023, 2024, 2025 and 30 June 2026, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Qingdao Broadband established in Chinese mainland. The Company is certified as a resident enterprise in Chinese mainland. Dividends paid among resident enterprises are exempt from income tax.

At 31 December 2023, 2024, 2025 and 30 June 2026, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Groups subsidiaries established in Hong Kong and United States of America. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Hong Kong and United States of America for which deferred tax liabilities have not been recognized totaled approximately RMB55,614,000, RMB64,969,000, RMB90,217,000, and RMB95,267,000 at 31 December 2023, 2024, 2025 and 30 June 2026, respectively.

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                            | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|----------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Wealth management products | 431,461                        | -                              | 400,737                        | -                          |

The wealth management products are purchased from creditworthy commercial banks in Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

### 23. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

|                           | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Cash and cash equivalents | 138,503                        | 260,906                        | 1,273,617                      | 1,584,152                  |
| Time deposits             | -                              | 11,380                         | 11,580                         | 27,010                     |
| Pledged deposits          | 40,738                         | 59,157                         | 54,785                         | 56,054                     |
| Total                     | 179,241                        | 331,443                        | 1,339,982                      | 1,667,216                  |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 23. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS (continued)

|                                                                     | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Cash and cash equivalents,<br>time deposits and pledged<br>deposits |                                |                                |                                |                            |
| Denominated in                                                      |                                |                                |                                |                            |
| - RMB                                                               | 118,162                        | 253,854                        | 1,169,026                      | 1,306,489                  |
| - EUR                                                               | -                              | -                              | -                              | 4,056                      |
| - USD                                                               | 58,291                         | 73,139                         | 161,553                        | 342,250                    |
| - SGD                                                               | -                              | -                              | 6,882                          | 33                         |
| - THB                                                               | 2,096                          | 3,558                          | 1,987                          | 13,871                     |
| - HKD                                                               | 692                            | 892                            | 534                            | 517                        |
| Total                                                               | 179,241                        | 331,443                        | 1,339,982                      | 1,667,216                  |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 December 2024, 2025 and 30 June 2026, time deposits were mature in between six months to one year when acquired by the Group and earn interest at the time deposit rates.

At the end of each of the Relevant Periods, pledged deposits were pledged to banks as collateral for issuance of bank acceptance bills.

At the end of each of the Relevant Periods, the Group have assessed the credit risk of cash and cash equivalents, time deposits and pledged deposits to be minimal as they were placed in reputable financial institutions.

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

#### Assets

| Note                          | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Forward currency<br>contracts | (a) 2,959                      | 644                            | 2,064                          | 5,716                      |

#### Liabilities

| Note                          | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Forward currency<br>contracts | (a) 746                        | 4,177                          | 254                            | 370                        |

Note:

(a) The Group has entered into various forward currency contracts to manage its exchange rate exposures.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 25. TRADE AND BILLS RECEIVABLES

|                             | Note | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|-----------------------------|------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Trade receivables           |      | 1,037,719                      | 1,875,372                      | 1,696,806                      | 2,245,885                  |
| Impairment                  |      | (881)                          | (1,513)                        | (2,119)                        | (2,124)                    |
| Trade receivables, net      |      | <u>1,036,838</u>               | <u>1,873,859</u>               | <u>1,694,687</u>               | <u>2,243,761</u>           |
| Due from related parties    | (a)  | <u>31,562</u>                  | <u>25,180</u>                  | <u>15,719</u>                  | <u>22,925</u>              |
| Bills receivables           |      |                                |                                |                                |                            |
| Commercial acceptance bills |      | 3,225                          | 45,530                         | 56,552                         | 47,502                     |
| Bank acceptance bills       |      | <u>119,476</u>                 | <u>39,265</u>                  | <u>13,680</u>                  | <u>97,892</u>              |
|                             |      | <u>122,701</u>                 | <u>84,795</u>                  | <u>70,232</u>                  | <u>145,394</u>             |
| Trade and bills receivables |      | <u>1,191,101</u>               | <u>1,983,834</u>               | <u>1,780,638</u>               | <u>2,412,080</u>           |

Note:

(a) The related parties here refer to Hisense Group Holding and its subsidiaries.

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 minimize credit risk. At the end of the Relevant Periods, the Group had certain concentrations of credit risk as 65.4%, 72.7%, 71.6% and 74.4% of the Group's trade receivables were due from the Group's five largest customers, respectively. The Group had certain concentrations of credit risk as 47.1%, 28.0%, 29.8% and 27.3% of the Group's trade receivables were due from the Group's largest customer, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's bills receivables aged within six months were not past due. Bank acceptance bills that are measured at fair value through other comprehensive income are considered as having very low credit risk and the loss allowance is assessed to be minimal.

At 31 December 2024, the Group has pledged bills receivables of approximately RMB20,686,000 to secure a bank loan of the Group (note 28).

An aging analysis of the trade receivables as at the end of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

|                          | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Within 1 year            | 1,036,793                      | 1,872,505                      | 1,692,253                      | 2,242,891                  |
| 1 to 2 years             | -                              | 1,354                          | 2,242                          | 768                        |
| 2 to 3 years             | 18                             | -                              | 192                            | 102                        |
| Over 3 years             | <u>27</u>                      | <u>-</u>                       | <u>-</u>                       | <u>-</u>                   |
|                          | <u>1,036,838</u>               | <u>1,873,859</u>               | <u>1,694,687</u>               | <u>2,243,761</u>           |
| Due from related parties | <u>31,562</u>                  | <u>25,180</u>                  | <u>15,719</u>                  | <u>22,925</u>              |
| Bills receivables        | <u>122,701</u>                 | <u>84,795</u>                  | <u>70,232</u>                  | <u>145,394</u>             |
| Total                    | <u>1,191,101</u>               | <u>1,983,834</u>               | <u>1,780,638</u>               | <u>2,412,080</u>           |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 25. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

|                               |      | 31 December<br>2023 | 31 December<br>2024 | 31 December<br>2025 | 30 June<br>2026 |
|-------------------------------|------|---------------------|---------------------|---------------------|-----------------|
|                               | Note | RMB'000             | RMB'000             | RMB'000             | RMB'000         |
| At beginning of year/period   |      | 2,413               | 881                 | 1,513               | 2,119           |
| Impairment losses             | 7    | -                   | 632                 | 647                 | 5               |
| Reversal of impairment losses | 7    | (1,531)             | -                   | -                   | -               |
| Exchange realignment          |      | (1)                 | -                   | (41)                | -               |
| At end of year/period         |      | <u>881</u>          | <u>1,513</u>        | <u>2,119</u>        | <u>2,124</u>    |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). 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.

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 2023

|                       | Expected credit loss<br>rate | Gross carrying<br>amount | Expected credit<br>losses |
|-----------------------|------------------------------|--------------------------|---------------------------|
|                       |                              | RMB'000                  | RMB'000                   |
| Within 1 year         | 0.05%                        | 1,037,322                | 529                       |
| 1 to 2 years          | 0.00%                        | -                        | -                         |
| 2 to 3 years          | 18.18%                       | 22                       | 4                         |
| Over 3 years          | 70.00%                       | 90                       | 63                        |
|                       |                              | <u>1,037,434</u>         | <u>596</u>                |
| Related parties       | 0.00%                        | 31,562                   | -                         |
| Individually assessed | 100.00%                      | <u>285</u>               | <u>285</u>                |
| Total                 |                              | <u>1,069,281</u>         | <u>881</u>                |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 25. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix: (continued)

#### As at 31 December 2024

|                       | Expected credit loss<br>rate | Gross carrying<br>amount | Expected credit<br>losses |
|-----------------------|------------------------------|--------------------------|---------------------------|
|                       |                              | RMB'000                  | RMB'000                   |
| Within 1 year         | 0.05%                        | 1,873,432                | 927                       |
| 1 to 2 years          | 12.48%                       | 1,547                    | 193                       |
| 2 to 3 years          | 0.00%                        | -                        | -                         |
| Over 3 years          | 100.00%                      | 108                      | 108                       |
|                       |                              | <u>1,875,087</u>         | <u>1,228</u>              |
| Related parties       | 0.00%                        | 25,180                   | -                         |
| Individually assessed | 100.00%                      | <u>285</u>               | <u>285</u>                |
| Total                 |                              | <u>1,900,552</u>         | <u>1,513</u>              |

#### As at 31 December 2025

|                       | Expected credit loss<br>rate | Gross carrying<br>amount | Expected credit<br>losses |
|-----------------------|------------------------------|--------------------------|---------------------------|
|                       |                              | RMB'000                  | RMB'000                   |
| Within 1 year         | 0.08%                        | 1,693,583                | 1,330                     |
| 1 to 2 years          | 13.84%                       | 2,602                    | 360                       |
| 2 to 3 years          | 30.43%                       | 276                      | 84                        |
| Over 3 years          | 100.00%                      | 49                       | 49                        |
|                       |                              | <u>1,696,510</u>         | <u>1,823</u>              |
| Related parties       | 0.00%                        | 15,719                   | -                         |
| Individually assessed | 100.00%                      | <u>296</u>               | <u>296</u>                |
| Total                 |                              | <u>1,712,525</u>         | <u>2,119</u>              |

#### As at 30 June 2026

|                       | Expected credit loss<br>rate | Gross carrying<br>amount | Expected credit<br>losses |
|-----------------------|------------------------------|--------------------------|---------------------------|
|                       |                              | RMB'000                  | RMB'000                   |
| Within 1 year         | 0.06%                        | 2,244,251                | 1,360                     |
| 1 to 2 years          | 13.90%                       | 892                      | 124                       |
| 2 to 3 years          | 30.61%                       | 147                      | 45                        |
| Over 3 years          | 100.00%                      | 299                      | 299                       |
|                       |                              | <u>2,245,589</u>         | <u>1,828</u>              |
| Related parties       | 0.00%                        | 22,925                   | -                         |
| Individually assessed | 100.00%                      | <u>296</u>               | <u>296</u>                |
| Total                 |                              | <u>2,268,810</u>         | <u>2,124</u>              |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 26. INVENTORIES

|                           | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Raw materials             | 380,364                        | 629,265                        | 981,940                        | 1,627,593                  |
| Work in progress          | 377,516                        | 628,665                        | 645,295                        | 927,160                    |
| Finished goods            | 351,858                        | 561,963                        | 905,821                        | 749,317                    |
|                           | 1,109,738                      | 1,819,893                      | 2,533,056                      | 3,304,070                  |
| Provision for inventories | (49,123)                       | (73,896)                       | (106,680)                      | (129,383)                  |
| Total                     | 1,060,615                      | 1,745,997                      | 2,426,376                      | 3,174,687                  |

The movements in provision for inventories are as follows:

|                                           | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|-------------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| At the beginning of the year/period       | 52,030                         | 49,123                         | 73,896                         | 106,680                    |
| Provision during the year/period (note 7) | 45,349                         | 84,369                         | 135,240                        | 113,672                    |
| Less: Amounts written off                 | (48,342)                       | (59,688)                       | (102,633)                      | (90,836)                   |
| Exchange realignment                      | 86                             | 92                             | 177                            | (133)                      |
| At the end of the year/period             | 49,123                         | 73,896                         | 106,680                        | 129,383                    |

### 27. CONTRACT ASSETS

|                     | 1 January<br>2023<br>RMB'000 | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Contract assets     | 7,844                        | 6,171                          | 2,605                          | 2,165                          | 2,082                      |
| Impairments         | (1,786)                      | (2,522)                        | (605)                          | (900)                          | (1,826)                    |
| Net carrying amount | 6,058                        | 3,649                          | 2,000                          | 1,265                          | 256                        |

Contract assets are initially recognized for revenue earned from the sales of optical terminal products. After the warranty period ends, the amounts recognized as contract assets are reclassified to trade receivables. The decrease in contract assets for the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026 was mainly due to the recovery of contract assets in historical years upon reaching the payment time point.

The expected timing of recovery or settlement for contract assets is as follows:

|                       | 1 January<br>2023<br>RMB'000 | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|-----------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Within one year       | 1,353                        | 371                            | 1,025                          | 100                            | 99                         |
| After one year        | 6,491                        | 5,800                          | 1,580                          | 2,065                          | 1,983                      |
| Total contract assets | 7,844                        | 6,171                          | 2,605                          | 2,165                          | 2,082                      |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 27. CONTRACT ASSETS (continued)

The movements in the loss allowance for contract assets are as follows:

|                                        | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|----------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| At beginning of year/period            | 1,786                          | 2,522                          | 605                            | 900                        |
| Impairment losses (note 7)             | 736                            | -                              | 295                            | 926                        |
| Reversal of impairment losses (note 7) | -                              | (1,917)                        | -                              | -                          |
| At end of year/period                  | 2,522                          | 605                            | 900                            | 1,826                      |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). 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.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

|                           | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Expected credit loss rate | 40.87%                         | 23.22%                         | 41.54%                         | 87.72%                     |
| Gross carrying amount     | 6,171                          | 2,605                          | 2,165                          | 2,082                      |
| Expected credit losses    | 2,522                          | 605                            | 900                            | 1,826                      |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 28. INTEREST-BEARING BANK AND OTHER BORROWINGS

31 December 2023

|                                                   | <u>Effective interest rate</u><br>% | <u>Maturity</u> | RMB'000                 |
|---------------------------------------------------|-------------------------------------|-----------------|-------------------------|
| Current                                           |                                     |                 |                         |
| Bank loans – Unsecured                            | 2.60-2.80                           | 2024            | 300,666                 |
| Other loans – Unsecured                           | 3.43                                | 2024            | 100,048                 |
| Current portion of long-term bank loans – Secured | 2.80                                | 2024            | 90,256                  |
| Total - current                                   |                                     |                 | <u>490,970</u>          |
| Non-current                                       |                                     |                 |                         |
| Bank loans – Unsecured                            | 2.80                                | 2026            | 500,000                 |
| Bank loans – Secured                              | 2.80                                | 2026            | 210,000                 |
| Total - non-current                               |                                     |                 | <u>710,000</u>          |
| Total                                             |                                     |                 | <u><u>1,200,970</u></u> |
| Analyzed into:                                    |                                     |                 |                         |
| Bank loans repayable:                             |                                     |                 |                         |
| Within one year or on demand                      |                                     |                 | 390,922                 |
| In the third to fifth years, inclusive            |                                     |                 | 710,000                 |
| Subtotal                                          |                                     |                 | <u>1,100,922</u>        |
| Other borrowings repayable:                       |                                     |                 |                         |
| Within one year or on demand                      |                                     |                 | <u>100,048</u>          |
| Total                                             |                                     |                 | <u><u>1,200,970</u></u> |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

#### 31 December 2024

|                                        | <u>Effective interest rate</u><br>% | <u>Maturity</u> | RMB'000          |
|----------------------------------------|-------------------------------------|-----------------|------------------|
| Current                                |                                     |                 |                  |
| Bank loans – Unsecured                 | 2.30-2.60                           | 2025            | 116,437          |
| Bank loans – Secured                   | 0.70-2.80                           | 2025            | 120,853          |
| Other loans – Unsecured                | 3.00-3.45                           | 2025            | 1,357,304        |
| Total - current                        |                                     |                 | <u>1,594,594</u> |
| Non-current                            |                                     |                 |                  |
| Bank loans – Unsecured                 | 2.38-2.60                           | 2026-2027       | 1,130,500        |
| Bank loans – Secured                   | 2.60                                | 2026            | 110,000          |
| Total – non-current                    |                                     |                 | <u>1,240,500</u> |
| Total                                  |                                     |                 | <u>2,835,094</u> |
| Analyzed into:                         |                                     |                 |                  |
| Bank loans repayable:                  |                                     |                 |                  |
| Within one year or on demand           |                                     |                 | 237,290          |
| In the second year                     |                                     |                 | 702,500          |
| In the third to fifth years, inclusive |                                     |                 | 538,000          |
| Subtotal                               |                                     |                 | <u>1,477,790</u> |
| Other borrowings repayable:            |                                     |                 |                  |
| Within one year or on demand           |                                     |                 | <u>1,357,304</u> |
| Total                                  |                                     |                 | <u>2,835,094</u> |

As at 31 December 2025, all of the Group's and the Company's interest-bearing bank and other borrowings were fully settled.

#### 30 June 2026

|                                                     | <u>Effective interest rate</u><br>% | <u>Maturity</u> | RMB'000          |
|-----------------------------------------------------|-------------------------------------|-----------------|------------------|
| Current                                             |                                     |                 |                  |
| Bank loans – Unsecured                              | 2.11                                | 2027            | 750,440          |
| Current portion of long-term bank loans – Unsecured | 2.22                                | 2027            | 20,871           |
| Total - current                                     |                                     |                 | <u>771,311</u>   |
| Non-current                                         |                                     |                 |                  |
| Bank loans – Unsecured                              | 2.22                                | 2028            | 979,466          |
| Total - non-current                                 |                                     |                 | <u>979,466</u>   |
| Total                                               |                                     |                 | <u>1,750,777</u> |
| Analyzed into:                                      |                                     |                 |                  |
| Bank loans repayable:                               |                                     |                 | 771,311          |
| In the second year                                  |                                     |                 | <u>979,466</u>   |
| Total                                               |                                     |                 | <u>1,750,777</u> |

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)**

Notes:

(a) Secured loans:

- (i) As at 31 December 2023, certain of the Group's bank loans amounted to RMB300,256,000 were secured by corporate guarantee provided by Qingdao Hisense Network Energy Co., Ltd. and Qingdao Saiwei Electronic Information Service Co., Ltd. (both of which are the Company's fellow subsidiaries), of which RMB90,256,000 was reclassified to current portion of long-term bank loans based on the repayment plan. The loan was repaid during the year ended 31 December 2025.
- (ii) As at 31 December 2024, certain of the Group's bank loans amounted to RMB230,853,000 were secured by corporate guarantee provided by Qingdao Hisense Network Energy Co., Ltd. and Qingdao Saiwei Electronic Information Service Co., Ltd. (both of which are the Company's fellow subsidiaries), of which RMB100,000,000 was reclassified to current portion of long-term bank loans based on the repayment plan. Certain of the borrowings amounted to RMB20,686,000 were secured by the bill receivables. The loan was repaid during the year ended 31 December 2025.

(b) All borrowings are denominated in RMB.

- (c) The borrowing from the Agricultural Bank of China amounted to RMB200,000,000 and RMB400,000,000 as at 31 December 2023 and 31 December 2024, respectively, is subject to a covenant that requires an asset-liability ratio of less than 80%. The covenant is tested yearly, 31 December. The Group considers there is no indication that it will have difficulties in complying with this covenant. The covenant was discharged when the Group repaid the loan during the year ended 31 December 2025.

The borrowing from the China Development Bank amounted to RMB300,000,000 and RMB210,000,000 as at 31 December 2023 and 31 December 2024, respectively, is subject to a covenant that requires an asset-liability ratio of less than 80%, Ligent Technologies, Inc. holds more than 51% equity interests of Qingdao Broadband and Hisense Group Holding has control over the guarantors, Qingdao Hisense Network Energy Co., Ltd. and Qingdao Saiwei Electronic Information Service Co., Ltd. The Group considers there is no indication that it will have difficulties in complying with these covenants. These covenants were discharged when the Group repaid the loan during the year ended 31 December 2025.

The borrowing from the China Development Bank amounted to RMB500,000,000 as at 30 June 2026, is subject to a covenant that requires an asset-liability ratio of less than 80%, Ligent Technologies, Inc. holds more than 51% equity interests of Qingdao Broadband and Hisense Group Holding has control over the Qingdao Broadband. The Group considers there is no indication that it will have difficulties in complying with these covenants.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 29. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

|               | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|---------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Within 1 year | 1,187,286                      | 1,677,555                      | 2,718,804                      | 3,054,650                  |
| 1 to 2 years  | 1,619                          | 1,378                          | 444                            | 365                        |
| 2 to 3 years  | 1,298                          | 38                             | 1                              | 79                         |
| Over 3 years  | 6,891                          | 96                             | 134                            | 97                         |
| Total         | 1,197,094                      | 1,679,067                      | 2,719,383                      | 3,055,191                  |

The trade payables are non-interest-bearing and are normally settled on 30-90 days terms.

### 30. OTHER PAYABLES AND ACCRUALS

#### The Group

|                             | Notes | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|-----------------------------|-------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Current:                    |       |                                |                                |                                |                            |
| Contract liabilities        | (a)   | 2,311                          | 1,971                          | 2,224                          | 148,803                    |
| Payroll and welfare payable |       | 473,862                        | 470,501                        | 263,965                        | 201,527                    |
| Other tax payables          |       | 9,237                          | 8,950                          | 13,378                         | 10,230                     |
| Other payables              | (b)   | 161,215                        | 293,602                        | 226,039                        | 312,477                    |
| Due to related parties      | 41    | 13,910                         | 20,277                         | 10,324                         | 5,483                      |
| Other current liabilities   |       | 267                            | 218                            | 4,006                          | 366                        |
| Subtotal                    |       | 660,802                        | 795,519                        | 519,936                        | 678,886                    |
| Non-current:                |       |                                |                                |                                |                            |
| Contract liabilities        | (a)   | -                              | -                              | -                              | 265,928                    |
| Total                       |       | 660,802                        | 795,519                        | 519,936                        | 944,814                    |

Notes:

(a) Details of contract liabilities are as follows:

|                                                                            | 31 December<br>2022<br>RMB'000 | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|----------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Sales of optical transceivers, optical chips and optical terminal products | 2,241                          | 2,311                          | 1,971                          | 2,224                          | 414,731                    |

Contract liabilities include short-term and long-term advances received to deliver optical transceivers, optical chips and optical terminal products. The non-current portion of contract liabilities represented advances received for sales of optical transceivers and optical chips that are expected to be delivered more than one year after the end of each of the Relevant Periods. The increase in contract liabilities in 2026 was mainly due to the increase in advances received from customers in relation to the sales of optical transceivers and optical chips.

(b) Other payables are non-interest-bearing, unsecured and repayable on demand.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 30. OTHER PAYABLES AND ACCRUALS (continued)

#### The Company

|                        | <u>31 December</u><br><u>2023</u> | <u>31 December</u><br><u>2024</u> | <u>31 December</u><br><u>2025</u> | <u>30 June</u><br><u>2026</u> |
|------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
|                        | RMB'000                           | RMB'000                           | RMB'000                           | RMB'000                       |
| Other payables         | 119                               | 74                                | 4,009                             | 6,864                         |
| Due to related parties | <u>467,167</u>                    | <u>457,877</u>                    | <u>56,722</u>                     | <u>66,575</u>                 |
| Total                  | <u>467,286</u>                    | <u>457,951</u>                    | <u>60,731</u>                     | <u>73,439</u>                 |

### 31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2011, the Company issued 2,632,879 ordinary shares to an investor (the “Investor”) of the Company at a price of US\$7.60 per share with a par value of US\$1.00 each. In 2013, the Company issued additional 39,736 ordinary shares to the Investor of the Company at a price of US\$7.70 per share with a par value of US\$1.00 each. The Investor made a total investment of US\$20,305,969, approximately equal to RMB131,286,000.

Pursuant to the share subscription agreement, the Investor shall have the right to require the Company to repurchase all or part of the ordinary shares held by the Investor.

A shareholder of the Company has the redemption right for the amounts invested and the key terms of the ordinary share redemption are summarized as follows:

#### (a) Redemption feature

If the Company fails to complete an initial public offering by the forty-two months of the settlement date, the investors may initiate to request the Company to redeem all or part of the ordinary shares (the “Redemption”).

The redemption price for each ordinary share of the Company shall be an amount equal to the subscription price, plus the Group's accumulated retained earnings attributable to each ordinary share since the settlement date.

#### (b) Presentation and classification

The redemption obligations give rise to financial liabilities, the Group designated the financial liabilities as financial liabilities measured at fair values through profit or loss. Changes in fair value of financial liabilities at fair value through profit or loss were recorded in “Fair value changes of financial liabilities at fair value through profit or loss”.

In August 2025, the Company signed a termination agreement (“Termination Agreement”) with the Investor. Pursuant to the Termination Agreement, the redemption right of the Investor shall be terminated on the date of this agreement, rather than void ab initio, and such redemption right would be reinstated upon occurrence of certain events.

In September 2025, the Company and the Investor agreed to make certain amendments to the Termination Agreement. Pursuant to the amendments, the provision that would have allowed the Investor's redemption right to be reinstated upon occurrence of certain events was permanently removed. Accordingly, the financial liabilities were transferred to equity (note 35).

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 32. REDEMPTION LIABILITIES

|                                                 | Notes | <u>31 December</u><br><u>2023</u><br>RMB'000 | <u>31 December</u><br><u>2024</u><br>RMB'000 | <u>31 December</u><br><u>2025</u><br>RMB'000 | <u>30 June</u><br><u>2026</u><br>RMB'000 |
|-------------------------------------------------|-------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------|
| Redemption liabilities on a subsidiary's shares | (a)   | -                                            | -                                            | 216,937                                      | 220,702                                  |
| Redemption liabilities on the Company's shares  | (b)   | -                                            | -                                            | 322,015                                      | 317,610                                  |
| Total                                           |       | -                                            | -                                            | 538,952                                      | 538,312                                  |

Notes:

- (a) In July 2025, the Company, Hisense Group Holding, Qingdao Broadband and Xiamen Torch Industry Equity Investment Management Co., Ltd. ("Torch Industry") signed the agreement, which stipulates that Torch Industry will increase its capital in Xiamen Lianzhiguang, the subsidiary of the Group, by RMB220,000,000.

#### (1) Redemption feature

Within eight years after the completion of the capital injection by Torch Industry in Xiamen Lianzhiguang, if Xiamen Lianzhiguang fails to complete the qualified listing, Torch Industry has the right to issue a written repurchase notice at any point within two years starting from the ninth year after the completion of the capital injection, in order to request the repurchase of the corresponding equity. Torch Industry should first issue a repurchase notice to Xiamen Lianzhiguang, and Qingdao Broadband shall bear joint and several liability for the repurchase obligation of Xiamen Lianzhiguang. If Xiamen Lianzhiguang fails to fulfill its repurchase obligation, Torch Industry has the right to require Qingdao Broadband to fulfill the repurchase obligation.

The repurchase price is determined as the sum of the capital injection amount and the simple interest calculated at the annual interest rate of the Loan Prime Rate ("LPR") for terms over five years.

#### (2) Presentation and classification

Based on the above terms, the redemption obligations give rise to financial liabilities, the Group designated the financial liabilities as financial liabilities measured at amortized cost.

As at 31 December 2025 and 30 June 2026, the Group has recognized the redemption liabilities on a subsidiary's shares of RMB216,937,000 and RMB220,702,000.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 32. REDEMPTION LIABILITIES (continued)

Notes: (continued)

- (b) On 24 July 2025, the Company, Xiamen Guojuxiang Equity Investment Partnership Enterprise (Limited Partnership) ("Xiamen Guojuxiang"), Xiamen Advanced Manufacturing Equity Investment Fund Partnership Enterprise (Limited Partnership) ("Xiamen Advanced Manufacturing Fund") and Xiamen TorchRunxin Technology Equity Investment Fund Partnership Enterprise (Limited Partnership) ("Xiamen TorchRunxin") signed the agreement, which stipulates that Xiamen Guojuxiang, Xiamen Advanced Manufacturing Fund and Xiamen TorchRunxin will increase their capital in the Company by RMB330,000,000.

#### (1) Redemption feature

Within eight years after the completion of the capital injection by Xiamen Guojuxiang, Xiamen Advanced Manufacturing Fund and Xiamen TorchRunxin in the Company, if the Company fails to complete the qualified listing, they have the right to request the Company to repurchase all or part of the shares they hold. In August 2025, the capital injection was completed.

The repurchase price is determined as the sum of the capital injection amount and the simple interest calculated at the annual interest rate of the LPR for terms over five years.

#### (2) Presentation and classification

Based on the above terms, the redemption obligations give rise to financial liabilities, the Group designated the financial liabilities as financial liabilities measured at amortized cost.

As at 31 December 2025 and 30 June 2026, the Group has recognized the redemption liabilities on the Company's shares of RMB322,015,000 and RMB317,610,000.

### 33. SHARE CAPITAL

| <u>31 December</u> | <u>31 December</u> | <u>31 December</u> | <u>30 June</u> |
|--------------------|--------------------|--------------------|----------------|
| <u>2023</u>        | <u>2024</u>        | <u>2025</u>        | <u>2026</u>    |
| RMB'000            | RMB'000            | RMB'000            | RMB'000        |

Authorized and fully paid:

15,045,024 ordinary shares  
with par value of USD1.00  
each as at 31 December  
2023 and 2024, and  
810,926,800 ordinary  
shares with par value of  
USD0.02 each as at 31  
December 2025 and 30  
June 2026

|                |                |                |                |
|----------------|----------------|----------------|----------------|
| <u>100,744</u> | <u>100,744</u> | <u>109,134</u> | <u>109,134</u> |
|----------------|----------------|----------------|----------------|

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 33. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital during the Relevant Periods is as follows:

|                                                                                             | Notes | Number of shares in<br>issue | Share capital<br>RMB'000 |
|---------------------------------------------------------------------------------------------|-------|------------------------------|--------------------------|
| 1 January 2023, 31 December 2023, 1<br>January 2024, 31 December 2024 and 1<br>January 2025 |       | 15,045,024                   | 100,744                  |
| New issues                                                                                  | (a)   | 1,173,512                    | 8,390                    |
|                                                                                             |       | 16,218,536                   | 109,134                  |
| Share sub-division                                                                          | (b)   | 794,708,264                  | -                        |
| At 31 December 2025, 1 January 2026 and 30<br>June 2026                                     |       | 810,926,800                  | 109,134                  |

Notes:

(a) On 29 July 2025, the Company issued 677,026 ordinary shares at USD1.00 to Hisense CKL (HK) Co Limited ("CKL"), which resulted in proceeds of USD62,861,453.36 (equivalent to RMB450,000,000).

On 31 July 2025, the Company issued 212,210 ordinary shares at USD1.00 to Xiamen Guojuxiang, which resulted in proceeds of RMB141,050,000.

On 1 August 2025, the Company issued 209,051, 75,225 ordinary shares at USD1.00 to Xiamen Advanced Manufacturing Fund and Xiamen TorchRunxin, which resulted in proceeds of RMB138,950,000 and RMB50,000,000, respectively.

(b) Pursuant to a resolution passed in the board meeting held on 11 August 2025, the Company proceed with the share sub-division that each of the ordinary shares of USD1.00 par value was subdivided into 50 ordinary shares of par value of USD0.02 each.

### 34. TREASURY SHARES

The Company's treasury shares were acquired from its shareholders and are held for the Group's share-based payment scheme.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **35. RESERVES**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

#### **(a) Capital reserve**

The capital reserve represents capital contribution of the Group and share-based payment granted by Hisense Group Holding. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

#### **(b) Share -based payment reserve**

The share-based payment reserve represents the share awards granted by the Group. Details of the movement in share-based payment reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

#### **(c) Exchange fluctuation reserve**

The exchange fluctuation reserve arises from the translation of the Historical Financial Information of entities of which the functional currency is not RMB.

- (d)** The Company's reserves as at 31 December 2023, 2024, 2025 and as at 30 June 2026 primarily consisted of retained profits of RMB173,026,000, RMB122,195,000, RMB48,912,000 and RMB50,435,000, respectively. Additionally, the reserves included debit capital reserve of RMB153,239,000, RMB143,331,000 as at 31 December 2023 and 2024, respectively, and credit capital reserve of RMB711,555,000 as at 31 December 2025 and as at 30 June 2026.

The movements in retained profits during the Relevant Periods were related to the net profit of the Company of RMB122,776,000, RMB72,749,000 and net loss of RMB22,010,000 and net profit of RMB1,523,000, respectively, and dividends declared by the Company (note 12) during the years ended 31 December 2023, 2024, 2025 and the six months ended 30 June 2026, respectively. The movements in capital reserve during the Relevant Periods were related to the deemed settlement of financial liabilities at fair value through profit or loss of RMB46,083,000, RMB21,953,000, RMB9,108,000 and nil (note 12), respectively.

In September 2025, the Company and the Investor agreed to make certain amendments to the Termination Agreement. Pursuant to the amendments, the provision that would have allowed the Investor's redemption right to be reinstated upon occurrence of certain events was permanently removed (note 31). Accordingly, financial liabilities at fair value through profit or loss of RMB511,388,000 arising from this redemption right and the capital reserve of RMB319,270,000 were fully transferred to retained profits, totaling RMB830,658,000.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 36. SHARE-BASED PAYMENTS

#### (1) Share Incentive Scheme

The Group has established several employee incentive platforms (the "Employee Incentive Platforms") to facilitate the implementation of its employee incentive scheme and to align the interests of employees and directors with the long-term development of the Group ("Share Incentive Scheme").

Under the Share Incentive Scheme, eligible employees, directors and other participants are granted partnership interests in the Employee Incentive Platforms. The Employee Incentive Platforms principally hold ordinary shares of the Company, and the economic benefits attributable to the partnership interests are derived from the underlying shares of the Company held by the respective Employee Incentive Platforms.

As of 31 December 2023, 2024, 2025 and 30 June 2026, the Employee Incentive Platforms collectively held 30,545,000 ordinary shares, 28,331,050 ordinary shares, 33,371,900 ordinary shares, and 33,371,900 ordinary shares of the Company, representing 4.06%, 3.77%, 4.12%, and 4.12% of the Company's issued share capital, respectively. (The number of ordinary shares held by the Employee Incentive Platform has been retroactively adjusted to reflect the share sub-division which took place on 11 August 2025.)

The principal terms of the Share Incentive Scheme are summarized below:

1. participants comprise employees, directors and other eligible persons approved by the board of directors;
2. awards are granted in the form of interests in the Employee Incentive Platforms;
3. the partnership interests represent indirect interests in the Company's ordinary shares held through the Employee Incentive Platforms;
4. the awards vest immediately upon grant and are not subject to any service, performance or market conditions;
5. participants are entitled to benefits associated with the underlying shares in accordance with the terms of the relevant partnership agreements; and
6. the awards are settled in equity and no exercise price is payable by the participants.

As the share awards do not contain an option feature, there is no exercise price associated with the awards.

Number of awards granted under the Employee Incentive Platforms and the respective weighted average grant date fair values were as follows:

|                                         | Fair value<br>at grant date<br>RMB per share | Number<br>of awards |
|-----------------------------------------|----------------------------------------------|---------------------|
| 2023                                    |                                              |                     |
| Granted and exercised during the year   | 9.40                                         | 897,340             |
| 2024                                    |                                              |                     |
| Granted and exercised during the year   | 9.43                                         | 863,000             |
| 2025                                    |                                              |                     |
| Granted and exercised during the year   | 10.00                                        | 3,354,906           |
| 2026                                    |                                              |                     |
| Granted and exercised during the period | Not applicable                               | Nil                 |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 36. SHARE-BASED PAYMENTS (continued)

#### (1) Share Incentive Scheme (continued)

The above awards represent partnership interests granted to employees through the Employee Incentive Platforms. Each award corresponds to an indirect economic interest in the underlying ordinary shares of the Company held by the Employee Incentive Platforms.

The share-based payments under the Share Incentive Scheme were valued by Asia-Pacific Consulting and Appraisal Limited, the independent professionally qualified valuers. The values of share-based payment under the Share Incentive Scheme are calculated by applying the income approach to determine the fair value of ordinary shares with the additional discount for restriction on these share awards and lack of liquidity.

The following table lists the significant inputs to the fair value model used during the Relevant Periods:

|                   | Year ended<br>31 December<br>2023 | Year ended<br>31 December<br>2024 | Year ended<br>31 December<br>2025 |
|-------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Discount rate (%) | 13.0                              | 13.0                              | 12.0                              |
| DLOC (%)          | 9.1                               | 14.6                              | 15.7                              |

#### (2) Hisense Group Holding

Hisense Group Holding implemented various equity incentive programs for the Group's employees. Hisense Group Holding granted restricted shares which are classified as an equity-settled share-based payment to the Group's employees with 0 to 5 years lock-up periods.

The Group's restricted shares granted by Hisense Group Holding were valued by Asia-Pacific Consulting and Appraisal Limited, the independent professionally qualified valuers.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 36. SHARE-BASED PAYMENTS (continued)

#### (2) Hisense Group Holding (continued)

The following restricted shares granted by Hisense Group Holding was outstanding during the Relevant Periods:

|                                        | Fair value<br>at grant date<br>RMB per share | Number<br>of restricted<br>shares |
|----------------------------------------|----------------------------------------------|-----------------------------------|
| At 1 January 2023                      | 3.70-5.00                                    | 1,932,638                         |
| Granted                                | 6.06                                         | 1,508,715                         |
| Vested                                 | 3.70-6.06                                    | (1,222,249)                       |
| Forfeited                              | 4.74-5.00                                    | (73,760)                          |
| At 31 December 2023 and 1 January 2024 | 4.74-6.06                                    | 2,145,344                         |
| Granted                                | 6.87                                         | 2,561,968                         |
| Vested                                 | 4.74-6.87                                    | (2,341,311)                       |
| Forfeited                              | 4.74-5.00                                    | (198,128)                         |
| At 31 December 2024 and 1 January 2025 | 4.74-6.87                                    | 2,167,873                         |
| Granted                                | 6.87                                         | 2,112,499                         |
| Vested                                 | 5.00-6.87                                    | (1,885,566)                       |
| At 31 December 2025 and 1 January 2026 | 4.74-6.87                                    | 2,394,806                         |
| Granted, vested and forfeited          | Not applicable                               | Nil                               |
| At 30 June 2026                        | 4.74-6.87                                    | 2,394,806                         |

During the years ended 31 December 2023, 2024, 2025 and the six months ended 30 June 2026, the share-based payment expenses of RMB7,117,000, RMB6,568,000, RMB13,107,000 and nil were charged to profit or loss, respectively.

### 37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities as follows:

|                     | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|---------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Right-of-use assets | 10,094                                       | 51,097                                       | 31,730                                       | 11,527                                                        | 58,169                                         |
| Lease liabilities   | 10,094                                       | 51,097                                       | 31,730                                       | 11,527                                                        | 58,169                                         |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

#### (b) Changes in liabilities arising from financing activities

##### 31 December 2023

|                                   | Interest-bearing<br>bank and other<br>borrowings<br>RMB'000 | Lease liabilities<br>RMB'000 | Dividends payables<br>RMB'000 |
|-----------------------------------|-------------------------------------------------------------|------------------------------|-------------------------------|
| At 1 January 2023                 | 700,639                                                     | 51,418                       | 2,852                         |
| Changes from financing cash flows | 474,388                                                     | (14,359)                     | (248,609)                     |
| Dividend declared                 | -                                                           | -                            | 259,420                       |
| New leases                        | -                                                           | 10,094                       | -                             |
| Interest expense                  | 25,943                                                      | 2,477                        | -                             |
| Exchange realignment              | -                                                           | 160                          | -                             |
| As at 31 December 2023            | <u>1,200,970</u>                                            | <u>49,790</u>                | <u>13,663</u>                 |

##### 31 December 2024

|                                   | Interest-bearing<br>bank and other<br>borrowings<br>RMB'000 | Lease liabilities<br>RMB'000 | Dividends payables<br>RMB'000 |
|-----------------------------------|-------------------------------------------------------------|------------------------------|-------------------------------|
| At 1 January 2024                 | 1,200,970                                                   | 49,790                       | 13,663                        |
| Changes from financing cash flows | 1,581,748                                                   | (18,063)                     | (123,580)                     |
| Dividend declared                 | -                                                           | -                            | 123,580                       |
| New leases                        | -                                                           | 51,097                       | -                             |
| Interest expense                  | 52,376                                                      | 4,040                        | -                             |
| Exchange realignment              | -                                                           | 246                          | -                             |
| As at 31 December 2024            | <u>2,835,094</u>                                            | <u>87,110</u>                | <u>13,663</u>                 |

##### 31 December 2025

|                                                 | Interest-bearing<br>bank and other<br>borrowings<br>RMB'000 | Lease liabilities<br>RMB'000 | Dividends payables<br>RMB'000 |
|-------------------------------------------------|-------------------------------------------------------------|------------------------------|-------------------------------|
| At 1 January 2025                               | 2,835,094                                                   | 87,110                       | 13,663                        |
| Changes from financing cash flows               | (2,870,851)                                                 | (20,291)                     | (64,936)                      |
| Dividend declared                               | -                                                           | -                            | 51,273                        |
| New leases                                      | -                                                           | 31,730                       | -                             |
| Redemption liabilities on a subsidiary's shares | -                                                           | -                            | -                             |
| Redemption liabilities on the Company's shares  | -                                                           | -                            | -                             |
| Interest expense                                | 35,757                                                      | 3,896                        | -                             |
| Termination                                     | -                                                           | (15,188)                     | -                             |
| Exchange realignment                            | -                                                           | (36)                         | -                             |
| As at 31 December 2025                          | <u>-</u>                                                    | <u>87,221</u>                | <u>-</u>                      |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

#### (b) Changes in liabilities arising from financing activities (continued)

##### 30 June 2025 (unaudited)

|                                                  | Interest-bearing<br>bank and other<br>borrowings<br>RMB'000 | Lease liabilities<br>RMB'000 | Dividends payables<br>RMB'000 |
|--------------------------------------------------|-------------------------------------------------------------|------------------------------|-------------------------------|
| At 1 January 2025                                | 2,835,094                                                   | 87,110                       | 13,663                        |
| Changes from financing cash flows<br>(unaudited) | (2,096,691)                                                 | (9,977)                      | (64,936)                      |
| Dividend declared (unaudited)                    | -                                                           | -                            | 51,273                        |
| New leases (unaudited)                           | -                                                           | 11,527                       | -                             |
| Interest expense (unaudited)                     | 33,951                                                      | 1,575                        | -                             |
| Termination (unaudited)                          | -                                                           | (14,461)                     | -                             |
| Exchange realignment (unaudited)                 | -                                                           | 9                            | -                             |
| As at 30 June 2025 (unaudited)                   | <u>772,354</u>                                              | <u>75,783</u>                | <u>-</u>                      |

##### 30 June 2026

|                                   | Interest-bearing bank<br>and other borrowings<br>RMB'000 | Lease liabilities<br>RMB'000 |
|-----------------------------------|----------------------------------------------------------|------------------------------|
| At 1 January 2026                 | -                                                        | 87,221                       |
| Changes from financing cash flows | 1,745,438                                                | (25,312)                     |
| New leases                        | -                                                        | 58,169                       |
| Interest expense                  | 5,339                                                    | 2,222                        |
| Exchange realignment              | -                                                        | (1,995)                      |
| As at 30 June 2026                | <u>1,750,777</u>                                         | <u>120,305</u>               |

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

|                             | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|-----------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Within operating activities | 7,335                                        | 8,037                                        | 5,981                                        | 4,019                                                         | 2,528                                          |
| Within financing activities | <u>14,359</u>                                | <u>18,063</u>                                | <u>20,291</u>                                | <u>9,977</u>                                                  | <u>25,312</u>                                  |
| Total                       | <u>21,694</u>                                | <u>26,100</u>                                | <u>26,272</u>                                | <u>13,996</u>                                                 | <u>27,840</u>                                  |

### 38. CONTINGENT LIABILITIES

As at the end of Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 39. PLEDGE OF ASSETS

Details of the Group's pledged assets, including the Group's bank deposits, are disclosed in note 23 to the Historical Financial Information.

### 40. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

|                                                     | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|-----------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Contracted, but not provided for:                   |                                |                                |                                |                            |
| Purchases of items of property, plant and equipment | 72,642                         | 54,958                         | 104,258                        | 702,686                    |

### 41. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods:

| Notes                                            | Year ended 31<br>December<br>2023<br>RMB'000 | Year ended 31<br>December<br>2024<br>RMB'000 | Year ended 31<br>December<br>2025<br>RMB'000 | Six months ended<br>30 June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30 June<br>2026<br>RMB'000 |
|--------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------------------------------|
| Hisense Group Holding and its subsidiaries:      |                                              |                                              |                                              |                                                               |                                                |
| Purchases of goods or services (i)               | 203,273                                      | 309,594                                      | 219,989                                      | 129,606                                                       | 149,228                                        |
| Sales of goods or services (ii)                  | 15,238                                       | 6,555                                        | 7,021                                        | 3,993                                                         | 2,210                                          |
| Purchases of property, plant and equipment (iii) | 19,001                                       | 7,135                                        | 5,447                                        | 1,594                                                         | 1,521                                          |
| Disposal of property, plant and equipment        | 91                                           | 11                                           | -                                            | -                                                             | -                                              |
| Other operating expenses (iv)                    | 7,446                                        | 9,767                                        | 9,777                                        | 4,863                                                         | 6,727                                          |
| Rental income (v)                                | 596                                          | 745                                          | 482                                          | 332                                                           | 275                                            |
| Interest expenses (vi)                           | 861                                          | 16,610                                       | 18,374                                       | 16,377                                                        | 295                                            |
| Interest income (vii)                            | 27,032                                       | 40,030                                       | 20,837                                       | 19,682                                                        | 1,077                                          |
| Others                                           | 24                                           | 86                                           | 414                                          | 296                                                           | 66                                             |
| A Joint venture:                                 |                                              |                                              |                                              |                                                               |                                                |
| Sales of goods or services (ii)                  | 377                                          | 195                                          | -                                            | -                                                             | -                                              |
| An associate of Hisense Group Holding:           |                                              |                                              |                                              |                                                               |                                                |
| Purchases of goods or services (i)               | 369                                          | 398                                          | 2,956                                        | 367                                                           | 5                                              |
| Hisense Investment* and its subsidiaries:        |                                              |                                              |                                              |                                                               |                                                |
| Purchases of goods or services (i)               | -                                            | -                                            | 3,277                                        | -                                                             | 1,774                                          |
| Sales of goods or services                       | -                                            | -                                            | -                                            | -                                                             | 8                                              |
| Purchases of property, plant and equipment       | -                                            | -                                            | 30                                           | -                                                             | 1,344                                          |
| Other operating expenses (iv)                    | -                                            | -                                            | 629                                          | -                                                             | -                                              |
| Rental income (v)                                | -                                            | -                                            | 146                                          | -                                                             | -                                              |
| An associate of Hisense Investment*:             |                                              |                                              |                                              |                                                               |                                                |
| Purchases of goods or services (i)               | -                                            | -                                            | 214                                          | -                                                             | 98                                             |

\* Qingdao Hisense Investment Development Co., Ltd. ("Hisense Investment"), a company incorporated in the PRC on June 30, 2025 and held by the same group of shareholders as Hisense Group Holding.

## **II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

### **41. RELATED PARTY TRANSACTIONS (continued)**

#### **(a) The Group had the following transactions with related parties during the Relevant Periods: (continued)**

Notes:

- (i) The purchases were made according to the published prices and conditions offered by the related parties to their major customers.
- (ii) The sales were made according to the published prices and conditions offered to the major customers of the Group.
- (iii) Purchases of property, plant and equipment from related parties are mainly projects under construction, of which the reason for the larger amount in 2023 is the purchase of the construction in progress of the Liaoning Road apartment from Qingdao Jingyang Xinda Industrial Co., Ltd., which will be converted into a building in 2024.
- (iv) Other operating expenses are mainly the cost of leasing buildings, plant and machinery from related parties.
- (v) Rental income mainly refers to the income from leasing buildings, plant and machinery to related parties.
- (vi) Interest expenses mainly refer to the interest costs incurred from obtaining advances from Hisense Finance Co., Ltd. ("Hisense Finance"), which is ultimately controlled by the same controlling party with the Group.
- (vii) The interest income mainly refers to the interest earned by lending to Hisense Communication Co., Ltd., which is ultimately controlled by the same controlling party with the Group.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 41. RELATED PARTY TRANSACTIONS (continued)

#### (b) Outstanding balances with related parties

|                                                                          | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|--------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| Hisense Group Holding and its subsidiaries:                              |                                |                                |                                |                            |
| <i>Trade related:</i>                                                    |                                |                                |                                |                            |
| Current assets:                                                          |                                |                                |                                |                            |
| Trade and bills receivables                                              | 31,562                         | 25,180                         | 15,719                         | 22,925                     |
| Current liabilities:                                                     |                                |                                |                                |                            |
| Trade payables                                                           | 21,556                         | 18,947                         | 20,147                         | 12,780                     |
| <i>Non-Trade related:</i>                                                |                                |                                |                                |                            |
| Current assets:                                                          |                                |                                |                                |                            |
| Pledged deposits                                                         | 40,738                         | 59,157                         | 54,785                         | 56,054                     |
| Cash and cash equivalents                                                | 62,214                         | 160,358                        | 483,513                        | 396,182                    |
| Prepayments and other receivables                                        | 1,203,352                      | 1,608,036                      | 264                            | 4,683                      |
| Subtotal                                                                 | 1,306,304                      | 1,827,551                      | 538,562                        | 456,919                    |
| Current liabilities:                                                     |                                |                                |                                |                            |
| Lease liabilities                                                        | 5,465                          | 9,302                          | 11,894                         | 10,658                     |
| Short-term borrowings                                                    | 100,048                        | 1,357,304                      | -                              | -                          |
| Other payables and accruals                                              | 247                            | 6,605                          | 10,236                         | 5,433                      |
| Subtotal                                                                 | 105,760                        | 1,373,211                      | 22,130                         | 16,091                     |
| Non-current assets:                                                      |                                |                                |                                |                            |
| Right of use assets                                                      | 30,315                         | 59,062                         | 56,617                         | 51,993                     |
| Prepayments and other receivables                                        | 1,930                          | 580                            | 580                            | 3,678                      |
| Subtotal                                                                 | 32,245                         | 59,642                         | 57,197                         | 55,671                     |
| Non-current liabilities:                                                 |                                |                                |                                |                            |
| Lease liabilities                                                        | 26,800                         | 51,477                         | 46,954                         | 40,512                     |
| A Joint venture:                                                         |                                |                                |                                |                            |
| <i>Trade related:</i>                                                    |                                |                                |                                |                            |
| Current assets:                                                          |                                |                                |                                |                            |
| Trade receivables                                                        | 10                             | -                              | -                              | -                          |
| Qingdao Bolangde Broadband Co., Ltd.,<br>the shareholder of the Company: |                                |                                |                                |                            |
| <i>Non-Trade related:</i>                                                |                                |                                |                                |                            |
| Current assets:                                                          |                                |                                |                                |                            |
| Prepayments and other receivables                                        | 8,289                          | 14,591                         | -                              | -                          |
| Current liabilities:                                                     |                                |                                |                                |                            |
| Other payables and accruals                                              | 427,794                        | 417,886                        | -                              | -                          |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 41. RELATED PARTY TRANSACTIONS (continued)

#### (b) Outstanding balances with related parties(continued)

|                                          | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
|------------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| An associate of Hisense Group Holding    |                                |                                |                                |                            |
| <i>Non-Trade related:</i>                |                                |                                |                                |                            |
| Current liabilities:                     |                                |                                |                                |                            |
| Other payables and accruals              | -                              | 8                              | 50                             | 50                         |
| Hisense Investment and its subsidiaries: |                                |                                |                                |                            |
| <i>Non-Trade related:</i>                |                                |                                |                                |                            |
| Current assets:                          |                                |                                |                                |                            |
| Prepayments and other receivables        | -                              | -                              | -                              | 624                        |
| An associate of Hisense investment       |                                |                                |                                |                            |
| <i>Non-Trade related:</i>                |                                |                                |                                |                            |
| Current assets:                          |                                |                                |                                |                            |
| Prepayments and other receivables        | -                              | -                              | -                              | 73                         |
| Current liabilities:                     |                                |                                |                                |                            |
| Other payables and accruals              | -                              | -                              | 38                             | -                          |
| Total                                    | -                              | -                              | 38                             | 697                        |

Note: The outstanding non-trade balances with related parties as at 31 December 2023, 2024, 2025 and 30 June 2026 were unsecured, interest-free and repayable on demand, and will be settled prior to the listing.

#### (c) Compensation of key management personnel of the Group:

|                                                     | Year ended<br>31 December<br>2023<br>RMB'000 | Year ended<br>31 December<br>2024<br>RMB'000 | Year ended<br>31 December<br>2025<br>RMB'000 | Six months<br>ended 30<br>June<br>2025<br>RMB'000<br>(unaudited) | Six months<br>ended 30<br>June<br>2026<br>RMB'000 |
|-----------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|
| Salaries, allowances and benefits in kind           | 10,062                                       | 10,603                                       | 10,442                                       | 5,709                                                            | 4,631                                             |
| Performance related bonuses                         | 754                                          | 2,975                                        | 12,354                                       | 2,842                                                            | 3,577                                             |
| Profit sharing bonus                                | 4,394                                        | 1,916                                        | 3,824                                        | 3,824                                                            | -                                                 |
| Pension scheme contributions                        | 931                                          | 985                                          | 1,109                                        | 834                                                              | 447                                               |
| Share-based payments                                | 1,713                                        | 3,217                                        | 6,030                                        | 6,030                                                            | -                                                 |
| Total compensation paid to key management personnel | 17,854                                       | 19,696                                       | 33,759                                       | 19,239                                                           | 8,655                                             |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**As at 31 December 2023**

#### Financial assets

|                                                                      | Financial assets<br>at fair value<br>through profit or<br>loss | Financial assets<br>at fair value<br>through other<br>comprehensive<br>income | Financial assets<br>at amortized<br>cost | Total            |
|----------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------|------------------|
|                                                                      | RMB'000                                                        | RMB'000                                                                       | RMB'000                                  | RMB'000          |
| Trade receivables                                                    | -                                                              | -                                                                             | 1,068,400                                | 1,068,400        |
| Bills receivables                                                    | -                                                              | 119,476                                                                       | 3,225                                    | 122,701          |
| Financial assets included in<br>prepayments and other<br>receivables | -                                                              | -                                                                             | 1,262,352                                | 1,262,352        |
| Contract assets                                                      | -                                                              | -                                                                             | 3,649                                    | 3,649            |
| Financial assets at fair value<br>through profit or loss             | 431,461                                                        | -                                                                             | -                                        | 431,461          |
| Derivative financial instruments                                     | 2,959                                                          | -                                                                             | -                                        | 2,959            |
| Pledged deposits                                                     | -                                                              | -                                                                             | 40,738                                   | 40,738           |
| Cash and cash equivalents                                            | -                                                              | -                                                                             | 138,503                                  | 138,503          |
| Total                                                                | <u>434,420</u>                                                 | <u>119,476</u>                                                                | <u>2,516,867</u>                         | <u>3,070,763</u> |

#### Financial liabilities

|                                                                  | Financial liabilities at<br>fair value through<br>profit or loss | Financial liabilities at<br>amortized cost | Total            |
|------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------|------------------|
|                                                                  | RMB'000                                                          | RMB'000                                    | RMB'000          |
| Trade and bills payables                                         | -                                                                | 1,197,094                                  | 1,197,094        |
| Financial liabilities included in<br>other payables and accruals | -                                                                | 161,215                                    | 161,215          |
| Financial liabilities at fair value<br>through profit or loss    | 414,132                                                          | -                                          | 414,132          |
| Derivative financial instruments                                 | 746                                                              | -                                          | 746              |
| Interest-bearing bank and other<br>borrowings                    | -                                                                | 1,200,970                                  | 1,200,970        |
| Total                                                            | <u>414,878</u>                                                   | <u>2,559,279</u>                           | <u>2,974,157</u> |



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**As at 31 December 2024**

#### Financial assets

|                                                                      | Financial assets<br>at fair value<br>through profit or<br>loss | Financial assets<br>at fair value<br>through other<br>comprehensive<br>income | Financial assets<br>at amortized<br>cost | Total     |
|----------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------|-----------|
|                                                                      | RMB'000                                                        | RMB'000                                                                       | RMB'000                                  | RMB'000   |
| Trade receivables                                                    | -                                                              | -                                                                             | 1,899,039                                | 1,899,039 |
| Bills receivables                                                    | -                                                              | 39,265                                                                        | 45,530                                   | 84,795    |
| Financial assets included in<br>prepayments and other<br>receivables | -                                                              | -                                                                             | 1,747,566                                | 1,747,566 |
| Contract assets                                                      | -                                                              | -                                                                             | 2,000                                    | 2,000     |
| Derivative financial instruments                                     | 644                                                            | -                                                                             | -                                        | 644       |
| Time deposits                                                        | -                                                              | -                                                                             | 11,380                                   | 11,380    |
| Pledged deposits                                                     | -                                                              | -                                                                             | 59,157                                   | 59,157    |
| Cash and cash equivalents                                            | -                                                              | -                                                                             | 260,906                                  | 260,906   |
| Total                                                                | 644                                                            | 39,265                                                                        | 4,025,578                                | 4,065,487 |

#### Financial liabilities

|                                                                  | Financial liabilities at<br>fair value through<br>profit or loss | Financial liabilities at<br>amortized cost | Total     |
|------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------|-----------|
|                                                                  | RMB'000                                                          | RMB'000                                    | RMB'000   |
| Trade and bills payables                                         | -                                                                | 1,679,067                                  | 1,679,067 |
| Financial liabilities included in<br>other payables and accruals | -                                                                | 293,602                                    | 293,602   |
| Financial liabilities at fair value<br>through profit or loss    | 404,223                                                          | -                                          | 404,223   |
| Derivative financial instruments                                 | 4,177                                                            | -                                          | 4,177     |
| Interest-bearing bank and other<br>borrowings                    | -                                                                | 2,835,094                                  | 2,835,094 |
| Total                                                            | 408,400                                                          | 4,807,763                                  | 5,216,163 |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**As at 31 December 2025**

#### Financial assets

|                                                                      | Financial assets<br>at fair value<br>through profit or<br>loss | Financial assets<br>at fair value<br>through other<br>comprehensive<br>income | Financial assets<br>at amortized<br>cost | Total            |
|----------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------|------------------|
|                                                                      | RMB'000                                                        | RMB'000                                                                       | RMB'000                                  | RMB'000          |
| Trade receivables                                                    | -                                                              | -                                                                             | 1,710,406                                | 1,710,406        |
| Bills receivables                                                    | -                                                              | 13,680                                                                        | 56,552                                   | 70,232           |
| Financial assets included in<br>prepayments and other<br>receivables | -                                                              | -                                                                             | 156,523                                  | 156,523          |
| Contract assets                                                      | -                                                              | -                                                                             | 1,265                                    | 1,265            |
| Financial assets at fair value<br>through profit or loss             | 400,737                                                        | -                                                                             | -                                        | 400,737          |
| Derivative financial instruments                                     | 2,064                                                          | -                                                                             | -                                        | 2,064            |
| Time deposits                                                        | -                                                              | -                                                                             | 11,580                                   | 11,580           |
| Pledged deposits                                                     | -                                                              | -                                                                             | 54,785                                   | 54,785           |
| Cash and cash equivalents                                            | -                                                              | -                                                                             | 1,273,617                                | 1,273,617        |
| <b>Total</b>                                                         | <b>402,801</b>                                                 | <b>13,680</b>                                                                 | <b>3,264,728</b>                         | <b>3,681,209</b> |

#### Financial liabilities

|                                                                  | Financial liabilities at<br>fair value through<br>profit or loss | Financial liabilities at<br>amortized cost | Total            |
|------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------|------------------|
|                                                                  | RMB'000                                                          | RMB'000                                    | RMB'000          |
| Trade and bills payables                                         | -                                                                | 2,719,383                                  | 2,719,383        |
| Financial liabilities included in<br>other payables and accruals | -                                                                | 226,039                                    | 226,039          |
| Redemption liabilities                                           | -                                                                | 538,952                                    | 538,952          |
| Derivative financial instruments                                 | 254                                                              | -                                          | 254              |
| <b>Total</b>                                                     | <b>254</b>                                                       | <b>3,484,374</b>                           | <b>3,484,628</b> |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

**As at 30 June 2026**

#### Financial assets

|                                                                      | Financial assets<br>at fair value<br>through profit or<br>loss | Financial assets<br>at fair value<br>through other<br>comprehensive<br>income | Financial assets<br>at amortized<br>cost | Total            |
|----------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------|------------------|
|                                                                      | RMB'000                                                        | RMB'000                                                                       | RMB'000                                  | RMB'000          |
| Trade receivables                                                    | -                                                              | -                                                                             | 2,266,686                                | 2,266,686        |
| Bills receivables                                                    | -                                                              | 97,892                                                                        | 47,502                                   | 145,394          |
| Financial assets included in<br>prepayments and other<br>receivables | -                                                              | -                                                                             | 25,294                                   | 25,294           |
| Contract assets                                                      | -                                                              | -                                                                             | 256                                      | 256              |
| Derivative financial instruments                                     | 5,716                                                          | -                                                                             | -                                        | 5,716            |
| Time deposits                                                        | -                                                              | -                                                                             | 27,010                                   | 27,010           |
| Pledged deposits                                                     | -                                                              | -                                                                             | 56,054                                   | 56,054           |
| Cash and cash equivalents                                            | -                                                              | -                                                                             | 1,584,152                                | 1,584,152        |
| <b>Total</b>                                                         | <b>5,716</b>                                                   | <b>97,892</b>                                                                 | <b>4,006,954</b>                         | <b>4,110,562</b> |

#### Financial liabilities

|                                                                  | Financial liabilities at<br>fair value through<br>profit or loss | Financial liabilities at<br>amortized cost | Total            |
|------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------|------------------|
|                                                                  | RMB'000                                                          | RMB'000                                    | RMB'000          |
| Trade and bills payables                                         | -                                                                | 3,055,191                                  | 3,055,191        |
| Financial liabilities included in<br>other payables and accruals | -                                                                | 312,477                                    | 312,477          |
| Redemption liabilities                                           | -                                                                | 538,312                                    | 538,312          |
| Derivative financial instruments                                 | 370                                                              | -                                          | 370              |
| Interest-bearing bank and other<br>borrowings                    | -                                                                | 1,750,777                                  | 1,750,777        |
| <b>Total</b>                                                     | <b>370</b>                                                       | <b>5,656,757</b>                           | <b>5,657,127</b> |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 43. 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:

|                                                            | Carrying amounts |                |                |                |
|------------------------------------------------------------|------------------|----------------|----------------|----------------|
|                                                            | 31 December      | 31 December    | 31 December    | 30 June        |
|                                                            | 2023             | 2024           | 2025           | 2026           |
|                                                            | RMB'000          | RMB'000        | RMB'000        | RMB'000        |
| Financial assets                                           |                  |                |                |                |
| Bills receivables                                          | 119,476          | 39,265         | 13,680         | 97,892         |
| Financial assets at fair value through profit or loss      | 431,461          | -              | 400,737        | -              |
| Derivative financial instruments                           | 2,959            | 644            | 2,064          | 5,716          |
| Total                                                      | <u>553,896</u>   | <u>39,909</u>  | <u>416,481</u> | <u>103,608</u> |
|                                                            | Fair values      |                |                |                |
|                                                            | 31 December      | 31 December    | 31 December    | 30 June        |
|                                                            | 2023             | 2024           | 2025           | 2026           |
|                                                            | RMB'000          | RMB'000        | RMB'000        | RMB'000        |
| Financial assets                                           |                  |                |                |                |
| Bills receivables                                          | 119,476          | 39,265         | 13,680         | 97,892         |
| Financial assets at fair value through profit or loss      | 431,461          | -              | 400,737        | -              |
| Derivative financial instruments                           | 2,959            | 644            | 2,064          | 5,716          |
| Total                                                      | <u>553,896</u>   | <u>39,909</u>  | <u>416,481</u> | <u>103,608</u> |
|                                                            | Carrying amounts |                |                |                |
|                                                            | 31 December      | 31 December    | 31 December    | 30 June        |
|                                                            | 2023             | 2024           | 2025           | 2026           |
|                                                            | RMB'000          | RMB'000        | RMB'000        | RMB'000        |
| Financial liabilities                                      |                  |                |                |                |
| Financial liabilities at fair value through profit or loss | 414,132          | 404,223        | -              | -              |
| Derivative financial instruments                           | 746              | 4,177          | 254            | 370            |
| Total                                                      | <u>414,878</u>   | <u>408,400</u> | <u>254</u>     | <u>370</u>     |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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: (continued)

|                                                            | Fair values                    |                                |                                |                            |
|------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
|                                                            | 31 December<br>2023<br>RMB'000 | 31 December<br>2024<br>RMB'000 | 31 December<br>2025<br>RMB'000 | 30 June<br>2026<br>RMB'000 |
| Financial liabilities                                      |                                |                                |                                |                            |
| Financial liabilities at fair value through profit or loss | 414,132                        | 404,223                        | -                              | -                          |
| Derivative financial instruments                           | 746                            | 4,177                          | 254                            | 370                        |
| Total                                                      | <u>414,878</u>                 | <u>408,400</u>                 | <u>254</u>                     | <u>370</u>                 |

Management has assessed that the fair values of cash and cash equivalents, the current portion of time deposits, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments and other receivables, approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 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 fair values of the non-current portion of pledged deposits, interest-bearing bank and other borrowings, redemption liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy

Assets measured at fair value:

#### As at 31 December 2023

|                                                          | Fair value measurement using                    |                                                  |                                                    | Total<br>RMB'000 |
|----------------------------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------------------------------|------------------|
|                                                          | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |                  |
|                                                          | RMB'000                                         | RMB'000                                          | RMB'000                                            |                  |
| Bills receivables                                        | -                                               | 119,476                                          | -                                                  | 119,476          |
| Financial assets at fair value<br>through profit or loss | -                                               | 431,461                                          | -                                                  | 431,461          |
| Derivative financial<br>instruments                      | -                                               | 2,959                                            | -                                                  | 2,959            |
| Total                                                    | -                                               | 553,896                                          | -                                                  | 553,896          |

#### As at 31 December 2024

|                                     | Fair value measurement using                    |                                                  |                                                    | Total<br>RMB'000 |
|-------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------------------------------|------------------|
|                                     | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |                  |
|                                     | RMB'000                                         | RMB'000                                          | RMB'000                                            |                  |
| Bills receivables                   | -                                               | 39,265                                           | -                                                  | 39,265           |
| Derivative financial<br>instruments | -                                               | 644                                              | -                                                  | 644              |
| Total                               | -                                               | 39,909                                           | -                                                  | 39,909           |

#### As at 31 December 2025

|                                                          | Fair value measurement using                    |                                                  |                                                    | Total<br>RMB'000 |
|----------------------------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------------------------------|------------------|
|                                                          | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |                  |
|                                                          | RMB'000                                         | RMB'000                                          | RMB'000                                            |                  |
| Bills receivables                                        | -                                               | 13,680                                           | -                                                  | 13,680           |
| Financial assets at fair value<br>through profit or loss | -                                               | 400,737                                          | -                                                  | 400,737          |
| Derivative financial<br>instruments                      | -                                               | 2,064                                            | -                                                  | 2,064            |
| Total                                                    | -                                               | 416,481                                          | -                                                  | 416,481          |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy (continued)

Assets measured at fair value: (continued)

**As at 30 June 2026**

|                                     | Fair value measurement using                               |                                                             |                                                               | Total<br>RMB'000 |
|-------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|------------------|
|                                     | Quoted prices in<br>active markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |                  |
| Bills receivables                   | -                                                          | 97,892                                                      | -                                                             | 97,892           |
| Derivative financial<br>instruments | -                                                          | 5,716                                                       | -                                                             | 5,716            |
| <b>Total</b>                        |                                                            | <b>103,608</b>                                              | -                                                             | <b>103,608</b>   |

Liabilities measured at fair value:

**As at 31 December 2023**

|                                                                | Fair value measurement using                               |                                                             |                                                               | Total<br>RMB'000 |
|----------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|------------------|
|                                                                | Quoted prices in<br>active markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |                  |
| Financial liabilities at fair value<br>through profit or loss* | -                                                          | 414,132                                                     | -                                                             | 414,132          |
| Derivative financial<br>instruments                            | -                                                          | 746                                                         | -                                                             | 746              |
| <b>Total</b>                                                   | -                                                          | <b>414,878</b>                                              | -                                                             | <b>414,878</b>   |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy (continued)

Liabilities measured at fair value:(continued)

#### As at 31 December 2024

|                                                                | Fair value measurement using                    |                                                  |                                                    |         |
|----------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------------------------------|---------|
|                                                                | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) | Total   |
|                                                                | RMB'000                                         | RMB'000                                          | RMB'000                                            | RMB'000 |
| Financial liabilities at fair value<br>through profit or loss* | -                                               | 404,223                                          | -                                                  | 404,223 |
| Derivative financial<br>instruments                            | -                                               | 4,177                                            | -                                                  | 4,177   |
| Total                                                          | -                                               | 408,400                                          | -                                                  | 408,400 |

#### As at 31 December 2025

|                                     | Fair value measurement using                    |                                                  |                                                    |         |
|-------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------------------------------|---------|
|                                     | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) | Total   |
|                                     | RMB'000                                         | RMB'000                                          | RMB'000                                            | RMB'000 |
| Derivative financial<br>instruments | -                                               | 254                                              | -                                                  | 254     |

#### As at 30 June 2026

|                                     | Fair value measurement using                    |                                                  |                                                    |         |
|-------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------------------------------|---------|
|                                     | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) | Total   |
|                                     | RMB'000                                         | RMB'000                                          | RMB'000                                            | RMB'000 |
| Derivative financial<br>instruments | -                                               | 370                                              | -                                                  | 370     |

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

\*The fair value of the financial liabilities is determined using a discounted cash flow model based on the contractual settlement amount, which is calculated as the subscription price plus the Group's accumulated retained earnings attributable to each ordinary share as of the reporting date.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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:

The Group's principal financial instruments, other than derivatives, include interest-bearing bank and other borrowings, redemption liabilities, and cash and 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 Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage currency risks arising from the Group's operations and its sources of finance.

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 summarized below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the Historical Financial Information.

#### 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

|                        | Increase/(decrease)<br>in basis points | Increase/(decrease) in<br>profit before tax | Increase/(decrease) in<br>equity |
|------------------------|----------------------------------------|---------------------------------------------|----------------------------------|
| As at 31 December 2023 |                                        |                                             |                                  |
| RMB                    | 50                                     | (3,802)                                     | (3,802)                          |
| RMB                    | <u>(50)</u>                            | <u>3,802</u>                                | <u>3,802</u>                     |
| As at 31 December 2024 |                                        |                                             |                                  |
| RMB                    | 50                                     | (6,552)                                     | (6,552)                          |
| RMB                    | <u>(50)</u>                            | <u>6,552</u>                                | <u>6,552</u>                     |
| As at 31 December 2025 |                                        |                                             |                                  |
| RMB                    | 50                                     | -                                           | -                                |
| RMB                    | <u>(50)</u>                            | <u>-</u>                                    | <u>-</u>                         |
| As at 30 June 2026     |                                        |                                             |                                  |
| RMB                    | 50                                     | (5,617)                                     | (5,617)                          |
| RMB                    | <u>(50)</u>                            | <u>5,617</u>                                | <u>5,617</u>                     |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 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 Group adopts the method of purchasing forward foreign exchange contracts to maintain the principle of exchange rate neutrality.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in USD and THB exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of forward currency contracts).

|                                | Increase/(decrease)<br>in foreign<br>currency/RMB rate<br>rate% | Increase/(decrease)<br>in profit before tax<br>RMB'000 | Increase/(decrease)<br>in equity<br>RMB'000 |
|--------------------------------|-----------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------|
| As at 31 December 2023         |                                                                 |                                                        |                                             |
| If RMB weakens against USD     | 5                                                               | (7,999)                                                | (7,999)                                     |
| If RMB strengthens against USD | (5)                                                             | 7,999                                                  | 7,999                                       |
| If RMB weakens against THB     | 5                                                               | (62)                                                   | (62)                                        |
| If RMB strengthens against THB | (5)                                                             | 62                                                     | 62                                          |
| As at 31 December 2024         |                                                                 |                                                        |                                             |
| If RMB weakens against USD     | 5                                                               | (5,563)                                                | (5,563)                                     |
| If RMB strengthens against USD | (5)                                                             | 5,563                                                  | 5,563                                       |
| If RMB weakens against THB     | 5                                                               | (6,310)                                                | (6,310)                                     |
| If RMB strengthens against THB | (5)                                                             | 6,310                                                  | 6,310                                       |
| As at 31 December 2025         |                                                                 |                                                        |                                             |
| If RMB weakens against USD     | 5                                                               | (1,524)                                                | (1,524)                                     |
| If RMB strengthens against USD | (5)                                                             | 1,524                                                  | 1,524                                       |
| If RMB weakens against THB     | 5                                                               | (1,720)                                                | (1,720)                                     |
| If RMB strengthens against THB | (5)                                                             | 1,720                                                  | 1,720                                       |
| As at 30 June 2026             |                                                                 |                                                        |                                             |
| If RMB weakens against USD     | 5                                                               | (4,317)                                                | (4,317)                                     |
| If RMB strengthens against USD | (5)                                                             | 4,317                                                  | 4,317                                       |
| If RMB weakens against THB     | 5                                                               | (1,759)                                                | (1,759)                                     |
| If RMB strengthens against THB | (5)                                                             | 1,759                                                  | 1,759                                       |

#### Credit risk

The Group trades only with recognized 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 and the Group's exposure to bad debts is not significant.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Maximum exposure and staging as at 31 December 2023, 2024, 2025 and 30 June 2026

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 as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2023

|                                                                | 12-month ECLs    | Lifetime ECLs |              |                     |                  |
|----------------------------------------------------------------|------------------|---------------|--------------|---------------------|------------------|
|                                                                | Stage 1          | Stage 2       | Stage 3      | Simplified approach | Total            |
|                                                                | RMB'000          | RMB'000       | RMB'000      | RMB'000             | RMB'000          |
| Contract assets                                                | -                | -             | -            | 3,649               | 3,649            |
| Trade receivables*                                             | -                | -             | -            | 1,068,400           | 1,068,400        |
| Bills receivables                                              | -                | -             | -            | 122,701             | 122,701          |
| Financial assets included in prepayments and other receivables |                  |               |              |                     |                  |
| - Normal**                                                     | 1,262,352        | -             | -            | -                   | 1,262,352        |
| - Doubtful**                                                   | -                | -             | 2,837        | -                   | 2,837            |
| Cash and cash equivalents                                      |                  |               |              |                     |                  |
| - Not yet past due                                             | 138,503          | -             | -            | -                   | 138,503          |
| Pledged deposits                                               | 40,738           | -             | -            | -                   | 40,738           |
| Total                                                          | <u>1,441,593</u> | <u>-</u>      | <u>2,837</u> | <u>1,194,750</u>    | <u>2,639,180</u> |

#### As at 31 December 2024

|                                                                | 12-month ECLs    | Lifetime ECLs |              |                     |                  |
|----------------------------------------------------------------|------------------|---------------|--------------|---------------------|------------------|
|                                                                | Stage 1          | Stage 2       | Stage 3      | Simplified approach | Total            |
|                                                                | RMB'000          | RMB'000       | RMB'000      | RMB'000             | RMB'000          |
| Contract assets                                                | -                | -             | -            | 2,000               | 2,000            |
| Trade receivables*                                             | -                | -             | -            | 1,899,039           | 1,899,039        |
| Bills receivables                                              | -                | -             | -            | 84,795              | 84,795           |
| Financial assets included in prepayments and other receivables |                  |               |              |                     |                  |
| - Normal**                                                     | 1,747,566        | -             | -            | -                   | 1,747,566        |
| - Doubtful**                                                   | -                | -             | 3,526        | -                   | 3,526            |
| Cash and cash equivalents                                      |                  |               |              |                     |                  |
| - Not yet past due                                             | 260,906          | -             | -            | -                   | 260,906          |
| Time deposits                                                  | 11,380           | -             | -            | -                   | 11,380           |
| Pledged deposits                                               | 59,157           | -             | -            | -                   | 59,157           |
| Total                                                          | <u>2,079,009</u> | <u>-</u>      | <u>3,526</u> | <u>1,985,834</u>    | <u>4,068,369</u> |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Maximum exposure and staging as at 31 December 2023, 2024, 2025 and 30 June 2026 (continued)

##### As at 31 December 2025

|                                                                | 12-month ECLs      | Lifetime ECLs      |                    |                                   | Total            |
|----------------------------------------------------------------|--------------------|--------------------|--------------------|-----------------------------------|------------------|
|                                                                | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Simplified<br>approach<br>RMB'000 |                  |
| Contract assets                                                | -                  | -                  | -                  | 1,256                             | 1,256            |
| Trade receivables*                                             | -                  | -                  | -                  | 1,710,406                         | 1,710,406        |
| Bills receivables                                              | -                  | -                  | -                  | 70,232                            | 70,232           |
| Financial assets included in prepayments and other receivables |                    |                    |                    |                                   |                  |
| - Normal**                                                     | 156,523            | -                  | -                  | -                                 | 156,523          |
| - Doubtful**                                                   | -                  | -                  | 3,069              | -                                 | 3,069            |
| Cash and cash equivalents                                      |                    |                    |                    |                                   |                  |
| - Not yet past due                                             | 1,273,617          | -                  | -                  | -                                 | 1,273,617        |
| Time deposits                                                  | 11,580             | -                  | -                  | -                                 | 11,580           |
| Pledged deposits*                                              | 54,785             | -                  | -                  | -                                 | 54,785           |
| <b>Total</b>                                                   | <b>1,496,505</b>   | <b>-</b>           | <b>3,069</b>       | <b>1,781,894</b>                  | <b>3,281,468</b> |

##### As at 30 June 2026

|                                                                | 12-month ECLs      | Lifetime ECLs      |                    |                                   | Total            |
|----------------------------------------------------------------|--------------------|--------------------|--------------------|-----------------------------------|------------------|
|                                                                | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Simplified<br>approach<br>RMB'000 |                  |
| Contract assets                                                | -                  | -                  | -                  | 256                               | 256              |
| Trade receivables*                                             | -                  | -                  | -                  | 2,266,686                         | 2,266,686        |
| Bills receivables                                              | -                  | -                  | -                  | 145,394                           | 145,394          |
| Financial assets included in prepayments and other receivables |                    |                    |                    |                                   |                  |
| - Normal**                                                     | 25,294             | -                  | -                  | -                                 | 25,294           |
| - Doubtful**                                                   | -                  | -                  | 3,032              | -                                 | 3,032            |
| Cash and cash equivalents                                      |                    |                    |                    |                                   |                  |
| - Not yet past due                                             | 1,584,152          | -                  | -                  | -                                 | 1,584,152        |
| Time deposits                                                  | 27,010             | -                  | -                  | -                                 | 27,010           |
| Pledged deposits*                                              | 56,054             | -                  | -                  | -                                 | 56,054           |
| <b>Total</b>                                                   | <b>1,692,510</b>   | <b>-</b>           | <b>3,032</b>       | <b>2,412,336</b>                  | <b>4,107,878</b> |

\* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 25 and 27 to the Historical Financial Information, respectively.

\*\* The credit quality of the financial assets included in prepayments and other receivables are 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 are considered to be "doubtful".

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Maximum exposure and staging as at 31 December 2023, 2024, 2025 and 30 June 2026 (continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the Historical Financial Information.

Concentrations of credit risk are managed by customers. Credit risk management is centralized according to customers. At the end of the Relevant Periods, the Group had certain concentrations of credit risk as 65.4%, 72.7%, 71.6% and 74.4% of the book balance of the Group's trade receivables were due from the Group's five largest customers, respectively.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance for continuity of funding to finance its working capital needs as well as capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

|                                                            | 31 December 2023 |                  |                  |
|------------------------------------------------------------|------------------|------------------|------------------|
|                                                            | Within one year  | 1 to 5 years     | Total            |
|                                                            | RMB'000          | RMB'000          | RMB'000          |
| Trade and bills payables                                   | 1,197,094        | -                | 1,197,094        |
| Derivative financial instruments                           | 746              | -                | 746              |
| Financial liabilities at fair value through profit or loss | 414,132          | -                | 414,132          |
| Interest-bearing bank and other borrowings                 | 500,210          | 753,876          | 1,254,086        |
| Lease liabilities                                          | 10,327           | 57,640           | 67,967           |
| <b>Total</b>                                               | <b>2,122,509</b> | <b>811,516</b>   | <b>2,934,025</b> |
|                                                            | 31 December 2024 |                  |                  |
|                                                            | Within one year  | 1 to 5 years     | Total            |
|                                                            | RMB'000          | RMB'000          | RMB'000          |
| Trade and bills payables                                   | 1,679,067        | -                | 1,679,067        |
| Derivative financial instruments                           | 4,177            | -                | 4,177            |
| Financial liabilities at fair value through profit or loss | 404,223          | -                | 404,223          |
| Interest-bearing bank and other borrowings                 | 1,627,678        | 1,324,990        | 2,952,668        |
| Lease liabilities                                          | 19,609           | 100,337          | 119,946          |
| <b>Total</b>                                               | <b>3,734,754</b> | <b>1,425,327</b> | <b>5,160,081</b> |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows: (continued)

|                                  | 31 December 2025           |                         |                         |                  |
|----------------------------------|----------------------------|-------------------------|-------------------------|------------------|
|                                  | Within one year<br>RMB'000 | 1 to 5 years<br>RMB'000 | Over 5 years<br>RMB'000 | Total<br>RMB'000 |
| Trade and bills payables         | 2,719,383                  | -                       | -                       | 2,719,383        |
| Derivative financial instruments | 254                        | -                       | -                       | 254              |
| Redemption liabilities           | -                          | -                       | 704,000                 | 704,000          |
| Lease liabilities                | 26,844                     | 88,835                  | -                       | 115,679          |
| Total                            | 2,746,481                  | 88,835                  | 704,000                 | 3,539,316        |

  

|                                            | 30 June 2026               |                         |                         |                  |
|--------------------------------------------|----------------------------|-------------------------|-------------------------|------------------|
|                                            | Within one year<br>RMB'000 | 1 to 5 years<br>RMB'000 | Over 5 years<br>RMB'000 | Total<br>RMB'000 |
| Trade and bills payables                   | 3,055,191                  | -                       | -                       | 3,055,191        |
| Derivative financial instruments           | 370                        | -                       | -                       | 370              |
| Redemption liabilities                     | -                          | -                       | 704,000                 | 704,000          |
| Interest-bearing bank and other borrowings | 805,144                    | 1,000,556               | -                       | 1,805,700        |
| Lease liabilities                          | 46,436                     | 71,896                  | 9,737                   | 128,069          |
| Total                                      | 3,907,141                  | 1,072,452               | 713,737                 | 5,693,330        |

#### 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 maximize shareholders' value.

The Group manages its capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital management.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Capital management (continued)

The gearing ratios as the end of each of the Relevant Periods were as follows:

|                                                            | <u>31 December</u><br><u>2023</u><br>RMB'000 | <u>31 December</u><br><u>2024</u><br>RMB'000 | <u>31 December</u><br><u>2025</u><br>RMB'000 | <u>30 June</u><br><u>2026</u><br>RMB'000 |
|------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------|
| Lease liabilities                                          | 49,790                                       | 87,110                                       | 87,221                                       | 120,305                                  |
| Interest-bearing bank and other borrowings                 | 1,200,970                                    | 2,835,094                                    | -                                            | 1,750,777                                |
| Redemption liabilities                                     | -                                            | -                                            | 538,952                                      | 538,312                                  |
| Trade and bills payables                                   | 1,197,094                                    | 1,679,067                                    | 2,719,383                                    | 3,055,191                                |
| Financial liabilities at fair value through profit or loss | 414,132                                      | 404,223                                      | -                                            | -                                        |
| Less: Cash and cash equivalents                            | <u>(138,503)</u>                             | <u>(260,906)</u>                             | <u>(1,273,617)</u>                           | <u>(1,584,152)</u>                       |
| Net debt                                                   | <u>2,723,483</u>                             | <u>4,744,588</u>                             | <u>2,071,939</u>                             | <u>3,880,433</u>                         |
| Equity attributable to owners of the parent                | <u>1,933,574</u>                             | <u>1,928,276</u>                             | <u>3,704,956</u>                             | <u>4,330,204</u>                         |
| Capital and net debt                                       | <u>4,657,057</u>                             | <u>6,672,864</u>                             | <u>5,776,895</u>                             | <u>8,210,637</u>                         |
| Gearing ratio                                              | <u>58.5%</u>                                 | <u>71.1%</u>                                 | <u>35.9%</u>                                 | <u>47.3%</u>                             |

### 45. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred between the reporting date and the date of authorization of the Historical Financial Information.

### 46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to 30 June 2026.